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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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10 August 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

BRIEFS

TRADE AGREEMENTS WITH BULGARIA--Berlin, 17 Jul (ADN)--The GDR and Bulgaria want to expand their cooperation in open-cast mining and metallurgical equipment, new automatization devices in machine tools and in better supplies of electrical and electronic products. Agreements on this were reached on Monday and Tuesday in Berlin by the Deputy Chairman of the GDR Council of Ministers and Minister of Science and Technology Herbert Weiz, and the candidate member of the BCP Politburo and Deputy Chairman of the Bulgarian Council of Ministers, Andrey Lukanov. The two chairmen of the joint GDR-Bulgaria Economic Committee also decided to extend a number of mutually advantageous specialization treaties--for example, in medical, laboratory and weighing instruments, in food manufacturing equipment and special chemical products--and to prepare new ones. Working from the cooperation results in technologies and in materials and energy saving, new objectives were coordinated, among them the creation of new materials and the increased utilization of secondary raw materials and byproducts. The two sides analyzed in some detail the level of mutual trade. Measures were decided for the further implementation of the 1984 annual protocol and for the preparation of treaties for 1985. [Text] [LD180344 East Berlin ADN International Service in German 1730 GMT 17 Jul 83]

CSO: 2300/590

DAILY ON DIRE STATE OF VIETNAM'S ECONOMY

AU200700 [Editorial Report] Prague VIKEND in Czech, the end-of-week supplement of MLADA FRONTA, carries on 14 July on page 8 a 3,600-word article by Milan Syrucek entitled "In the Valley of Dien Bien Phu." In the article, the author conveys his impressions of a tour of Vietnam, which he made on the occasion of the festivities connected with the anniversary of the Vietnamese victory over French forces at Dien Bien Phu in May 1954. While most of the article is devoted to the events of 30 years ago, it also contains remarks on Vietnam's current difficult economic situation.

Speaking about the impressions he obtained as a tourist, Syrucek says, for example: "Just take the dollar exchange rate. In the bank, you will get 11.25 dong. If a foreigner pays for his hotel accommodation, food, and drink with dollars rather than dong, his dollar is worth 120 dong. And on the black market, people pay for it an additional 50 dong. If I were to convert [Czechoslovak] korunas to dong according to the official exchange rate, a bottle of Hanoi beer would cost me in the hotel between Kcs38 and 60 [ten times as much as in the CSSR]. But what sort of a conversion should be used by a Vietnamese who makes between 250 and 300 dong a month? Of course, if you go to the Hanoi market and compare the free prices (which, moreover, are growing at an annual rate of 50 percent or more) with these earnings, you will get nowhere. A kilogram of rice costs about 35 dong and a kilogram of meat up to 200. In many of the numerous private restaurants that are cropping up like mushrooms after the rain you see a quite simple lunch offered for 40 dong and a bowl of soup (which, however, is thicker than our soups) for around 20-25 dong."

Syrucek adds, however, that using the free market prices as a yardstick of the Vietnamese standard of living would be unfair as workers are entitled to allocations of basic foodstuffs, albeit these are "quite low." For a kilogram of allocated rice, they only pay 0.4 dong, he says.

Syrucek goes on to say: "But even this will not answer the question how the Vietnamese live. Neither will a cursory glance at the streets of Hanoi help you. You will only notice that aside from bicycles, also the number of motorcycles has increased, mainly Hondas from southern Vietnam. Sporadically you can also see a private car, which you can have sent to you from abroad and pay the duty."

According to the author's impression, people in the fertile valley of Dien Bien Phu "live better than people in the Vietnamese capital," even though he did not see "a single private car and only so many motorcycles as I could count on the fingers of one hand" in the entire valley, which has a population of 100,000.

Describing life in one of the cooperatives in the valley, Syrucek says: "The cooperative works according to principles that were adopted about 3 years ago. It ensures some essential work but otherwise it rents out land to individual families, for which it sets the amount to be harvested. Currently this is 6.2 metric tons of rice from each hectare (with two harvests a year). For this production the family gets a fixed price of 3.3 dongs per kilogram. If it manages to produce more--the per-hectare yields in the cooperative average 7-8 metric tons--it can sell its surplus on the free market or to the state for 8 dongs a kilogram. Admittedly, at the local market the farmer can get 25 dongs for a kilogram of rice. But if he sells to the state, he is entitled to purchase other merchandise, such as fabrics, at state and not at free market prices. Aside from this, every family has its own plot where it can grow, for example, the sought-after indigo plant for dying, pepper, tobacco, sugar cane, and also poultry, a water buffalo, or pigs.

"Because for the time being there is no machinery or fuel and no other means of production, this is temporarily the only way of ensuring increasing production. In 2 years, it has increased by one third."

Speaking about the local market in the village, Syrucek notes that it is well-stocked with basic foodstuffs "although the prices are commensurate with the availability of the demand for individual products." He adds, however, that often you cannot get "an apparent trifle, especially if it has to be imported all the way from Hanoi." The author elucidates: "On the way we met a small girl. She was crying. She said that she was going home from the market where her mother had been sending her for the last 3 months. But she still cannot come by a box of matches so that they cannot make a fire and cook. In that moment I realized how relative everything is. I realized that matches can be more precious and more expensive than a kilogram of chocolate bars, which children here do not even know, or a pair of shoes, which people here do not wear."

In concluding his article, Syrucek expresses the conviction that 30 years after defeating the French, the Vietnamese people will have "yet another battle, the battle for tomorrow, in which more than just rice is at stake."

CSO: 2400/388

KORCAK SPEAKS DURING TOUR OF POLISH PORT

LD232049 Prague Domestic Service in Czech 1630 GMT 23 Jul 84

[Text] The CSSR party and state delegation headed by Josef Korcak, member of the Presidium of the CPCZ Central Committee, federal vice premier, and Czech premier, which has been attending the celebrations marking the 40th anniversary of the emergence of People's Poland, accompanied by Miroslaw Milewski, member of the Politburo and secretary of the PZPR Central Committee, and Edward Kowalczyk, deputy chairman of the PPR Council of Ministers, have paid a visit to Szczecin. Pavel Kopecky, our resident correspondent, sent us the following teleprinter dispatch about the visit:

The CSSR delegation was welcomed at Szczecin airport by representatives of the provincial party and local government bodies. Afterward the CSSR delegation visited the port of Szczecin where, at a meeting with leading economic officials and representatives of the party, trade union, and youth organizations, it was briefed about the current tasks and the long-range prospects facing the port.

The CSSR party and state delegation headed by Josef Korcak, which includes Jaromir Obzina, federal vice premier, Frantisek Chlad, deputy head of a department of the CPCZ Central Committee, and Jiri Divis, CSSR ambassador to Poland, then attended a festive meeting with party and economic activists from the port. After a speech made by Ryszard Szykowski, managing director of the harbor combex, Comrade Josef Korcak, the head of the CSSR delegation, delivered a festive address.

On behalf of the CPCZ Central Committee, the CSSR Government, and the Czechoslovak people he hailed all the participants of the meeting on the occasion of the 40th anniversary of the liberation of Poland from fascist rule and the founding of the PPR. He stressed that during the past 40 years, under the PZPR, Poland has become a strong socialist state possessing a modern industrial base.

The head of the CSSR delegation then went on to speak about Czechoslovak-Polish friendship, which has deepened further during the years of popular power on the principles of Marxism-Leninism and proletarian and socialist internationalism. On the basis of last year's talks between Comrades Husak

and Jaruzelski there has been a further expansion of cooperation, especially the economic one. This year trade exchanges between the CSSR and Poland will reach the figure of R1.8 billion, which means a record level for the 40 post-war years.

An example of the successful development of mutual cooperation in Szczecin harbor, Comrade Josef Korcak said, on which was reconstructed after World War II with CSSR help. Since 1947 the port has meant for the CSSR a gateway to world seas. More than 2.5 million metric tons of goods from the CSSR passes through the port annually. Comrade Korcak went on to express satisfaction that the Polish people, led by the PZPR, successfully defended socialism during the complicated crisis period and gave assurances that in the effort to promote a further development of the socialist Poland the Polish working people can count on Czechoslovak support. He told the participants in the meeting about Czechoslovak people's fulfilling of the conclusions of the 16th CPCZ Congress and stressed that all the targets set can only be realized in close cooperation with other socialist countries. In this connection he voiced the full support for the conclusions reached at the recent CEMA summit conference in Moscow.

On this occasion Comrade Korcak pointed out that representatives of some advanced capitalist states see in economic cooperation a tool with which to intervene in the internal affairs of the socialist countries, a means of political blackmail and of threatening our independence. He also pointed at the danger created by the endeavor of the Reagan administration to achieve military-strategic superiority and the revival of revanchism in the FRG. An especially dangerous situation had arisen on our continent, Josef Korcak said, following the beginning of the deployment of new American nuclear missiles in Western Europe.

At the same time he voiced the conviction that the progressive and democratic forces are capable of changing such a dangerous development. The path to the policy of negotiations and reason is being shown by the proposals put forward at the initiative of the Soviet Union and other socialist countries. Their economic and defense might and the growth of other antiwar forces maintain in us the conviction that we shall avert the threat of war and that peace will be preserved.

In closing, Comrade Korcak wished the Polish working people many successes in their work for the benefit of socialist Poland and [words indistinct] Polish nation.

After the festive meeting with the working people, which passed off in an atmosphere of the traditional Czechoslovak-Polish friendship, the CSSR delegation toured the harbor. After touring the harbor on a boat, it inspected wharves through which the majority of goods exported and imported by the CSSR foreign trade enterprises pass. On an average of 30 times a year CSSR ocean-going vessels are anchored in Szczecin harbor. Some of them, for instance "Praha" and "Bratislava," were built in the Adolf Warski Szczecin

shipyards. A total of 53.5 million metric tons of cargo were transloaded in the Szczecin harbor complex for the CSSR during the past war period. From Szczecin harbor the CSSR delegation went for a tour of the city and placed flowers at the Szczecin memorial dedicated to the heroism of the Poles.

Late in the afternoon the Czechoslovak delegation to the celebration of the 40th anniversary of the existence of People's Poland left for home.

CSO: 2400/388

METHOD OF MAKING COKE FROM LOW-QUALITY COAL DISCUSSED

Prague RUDE PRAVO in Czech 4 Jul 84 p 4

[Article by Michal Strida: "How To Make Coke From Low-Quality Coal"]

[Text] A Visit to an Institute Where No One Wears a White Coat

Numerous types of black coal have been coked in Czechoslovakia for more than 100 years. For the past 50 years we have produced 2 or 3 percent of the total world coke output. Following the general world trend, Czechoslovak black-coal output rose sharply after the Second World War and coke production increased from 2.77 million tons per year in 1938 to 10 or 11 million tons after 1970. Almost two-thirds of all coke produced in Czechoslovakia is made in coking batteries using a high-density packed charge, while the remaining one-third is manufactured from a poured furnace charge.

The declining coking quality of the black coal that is being and will be mined principally in the Ostrava-Karvinna region requires that we find ways to process low-quality coal or techniques that will assure future production of coke at least as good as that being produced now. (Black-coal reserves in Czechoslovakia, unlike those of brown coal, are quite extensive, and are estimated to be sufficient for 100 to 150 years.)

Three Qualities

Production of high-quality coke depends roughly on three basic qualities: the nature of the coal used, the density to which it is packed, and the thermal conditions during actual coking. The first quality is beyond our control, and as mines go deeper and deeper the coking qualities of the coal will probably worsen.

That leaves the question of increasing the charge density and of intensifying the coking process by increasing the rate of heating. This means intensifying the process within the actual coking chamber. There are three ways to do this: the charge can be preheated, the retort walls can be made thinner, and new types of refractories can be employed. Many years of research both here and abroad have shown silicon-carbide refractories to be the most promising. These substances are being developed at the chair of silicate technology of the Chemical Engineering College, and they are being tested by the Institute for

Geology and Geotechnology of the CSAV [Czechoslovak Academy of Sciences] in collaboration with the Institute for Fuel Research and Utilization.

Numerous varieties of these substances have been tested in quarter-scale 10-kg coking units in order to identify the best varieties for use in a pilot plant.

Focus on Coal

The region around Rokoska is headquarters for two institutes: the former CSAV Mining Institute, which is now part of the CSAV Institute for Geology and Geotechnology, and the central installation of the Institute for Fuel Research and Utilization. It is here that the technique of producing synthetic gasoline from brown coal was developed during the Second World War. This is a special institute. No one wears a white coat here, because most of the work is black. Whoever works with coal must expect to get dirty.

The pilot-plant coking experiments have been going on continuously for over 2 weeks. Engineers Jaroslav Buchtele and Vaclav Kas show me around their black kingdom, where time is measured from one furnace charge to the next. Most of the work is automated: for instance, data on temperature distribution within the coking chamber are stored in the computer memory; nevertheless human presence is required throughout the experiments. Most people work a 12-hour shift, followed by 24 hours off, followed by another 12-hour shift. People are growing tired, but the experiments must be completed: there are only a few more samples to be tested out of the large accumulation of bags of igelite, each of them bearing a tag indicating the coal mixture. In the laboratory I note that even my trousers bear the traces of my careful examination of the laboratory. Where there is coal there is dirt. No place for white coats.

In the laboratory I examine electron photomicrographs, showing the structure of coke. My guides point out that some types require that the coking process be carried out more rapidly than others, as can be seen at first glance. Porosity, which is decisive for the quality of blast-furnace coke, must be kept at a low level.

The best thing would be to coke all kinds of black coal, since this is the most efficient way to utilize coal. In addition to coke and high-quality gas, coking yields by-products such as tar, benzene, sulfur, and ammonia.

Over a Hundred Experiments

For all these reasons the Institute for Geology and Geotechnology together with the Institute for Fuel Research and Utilization carried out over 100 pilot-plant coking experiments between 1981 and 1984. In doing so they examined a large variety of auxiliary technologies, particularly with regard to preparing the charge and increasing its density to the maximum (over 1000 kg per cubic meter).

Another highly promising method of increasing charge density to 850 kg per cubic meter is to preheat it. This method, which is being evaluated by workers at the Institute for Geology and Geotechnology, can increase the productivity of modern coking batteries by up to 40 percent.

Preheating the charge does not mean increasing energy consumption, because the preheating is accomplished by using waste gases, which is much more efficient than heating solid coal through the walls of the coking chamber. Another advantage is the fact that the refractory materials of the coking chamber are much less affected because the charge has already been dried and preheated to 200 or 250 degrees Celsius. (The walls of the coking chamber are heated to 1000 degrees Celsius.)

Over the years a number of procedures for increasing charge density have been investigated here: briquetting some of the charge with and without using binders, so-called economical grinding, collective charge pelletization, and preheating to various temperatures. All of these procedures have been compared both with the classical method of pouring in moist charge and with carefully packed charged, which the workers at the Institute for Fuel Research and Utilization packed by hand, charge after charge. They used charges of from 100 to 150 kg, so that they could evaluate the physical and chemical properties of the coke, make comparative analyses, and in some cases introduce new coking techniques directly into practical production.

Refractories

Along with the search for optimum methods of increasing density, various refractories for coking chambers have been examined. Between 500 and 1000 production cycles (coking experiments) must be carried out on each type of refractory in order to evaluate its properties. The purpose is to develop resistant materials which will permit a mean heating rate of 8 to 10 degrees Celsius per minute; this is felt to be the highest heating rate which will be attained by coking technology during this century. (Current technologies and materials permit 3 to 5 degrees Celsius per minute.) The new materials which display the best characteristics are given patent protection.

The outstanding properties of the materials investigated in pilot-plant experiments permit thinking about shifting from the energy-expensive method of coking with constant high temperatures to accelerated heating using temperatures of 1250 to 1350 degrees Celsius, which are common today.

In practice, these new materials and new procedures will considerably improve the productivity of the coking process and aid the transition to larger coking chambers. Timely basic research, in collaboration with the plan called Mining of Minerals under Critical Conditions, their processing, and the thermochemical treatment of black coal will solve the problems which our coking industry will encounter in the future.

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CSO: 2400/356

RAPESEED PRODUCTION REVIEWED

Prague RUDE PRAVO in Czech 13 Jul 84 p 5

[Article by Eng Josef Lahola, director of the Research and Cultivation Institute for Technical Plants and Pulses in Sumperk-Temenice]

[Excerpt] There is a growing interest in the production of winter rape throughout the whole world. Developed countries not only extend its growing areas, but also intensify its cultivation, both by a change in biological material and by limiting the factors which reduce yields (improved agricultural technique, intensive protection and reduction of harvest losses). There is rising interest in domestic production of oil, and an increasing demand for extracted groats as a source of protein. In this country the production of winter rape is enjoying an ascending direction of development as well, and compared to 1975 the acreage of this crop in the CSSR has almost doubled. There were higher yields, too: the 1975 yield of 2.06 tons increased to 2.62 tons in 1983, and in the CSR they achieved a record of 2.8 tons.

Our institute, which deals systematically with research and improvement of winter rape in its work branches (the Opava Oil-Plant Research Station, cultivating stations in Slapy near Tabor and in Chlumec nad Cidlinou), has also contributed to the stabilization of winter rape yields. In 1983 we have implemented findings of large-scale production technology regarding the peculiarities of new varieties in both Moravian krajy in an area of 7,900 hectares. In the framework of primary realization the following yields were achieved: 3.34 tons per hectare in the branch enterprise State Farms Bruntal, the Razova farm, and 3.31 tons and 2.94 tons in Leskovec and Cakova, respectively.

Despite the favorable development in the yields of winter rape there are still reserves, documented by differences between single enterprises, which increase in less clement weather conditions. First of all, the yield potential of present varieties, which, during the past decade, was utilized by the agricultural technique of that time 65-70 percent, has not yet been fully valorized. A gradual spreading of new domestic varieties, which are

more adaptable to our heterogeneous conditions, will contribute to the stability of yields. In 1983, for example, the first Czechoslovak variety of non-erucic winter rape, Silesia, was approved and cultivated in our Oil-Plant Research Station in Opava in cooperation with the Cultivating Station in Chlumec nad Cidlinou. Last fall this variety was used to sow more than 40 percent of field areas.

There are still some drawbacks in agricultural technology. The sowing allotments are not maintained at their optimum, and often considerably more seed than necessary is used. Sowing deadlines are not kept, and the preparation of soil for rapeseed sowing is lax and late. A primary result of all this is increased frost damage, especially in the early spring. There are defects in the nutritional section as well, such as using a nitrogen-rich fertilizer in the fall, and not utilizing the allotted nitrogen content for the additional spring fertilization. Also, in the fall no Retacel is applied in overrun growths to improve their dormancy. There are also cases of premature desiccation and harvest, leading to a pronounced drop in yield. The toleration of desiccation is recommended only in those fields where the growth is exceedingly weedy, lodged, or where it ripens unevenly.

In cultivation we have managed to catch up with the world development in improving rapeseed quality. On the one hand, the new non-erucic rape Silesia has been spread; on the other hand, in state variety experiments and interstation foretesting there are other strains with this property, which considerably surpass the average of investigated varieties. There has also been progress in solving the dual quality (reduction of the content of glucosinolates in rapeseed groats of non-erucic rape). In interstation foretesting there are strains with glucosinolate content of 20 micromoles per gram of non-fat dry residue, compared to standard strains in which this content amounts up to 100-160 micromoles per gram. Improving the quality of rape will result in its wider utilization in the fodder industry. No doubt these varieties will be also better utilized as interplants. The food industry requires not only a reduction of the content of erucic acid in oil, but also an optimal ratio of the decisive fatty acids, i.e., linolic acid, oleic acid and linolenic acid. We will deal intensively with these problems within the framework of genetic-cultivational research starting in 1985.

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CSO: 2400/364

NEW DRUG RESEARCH DESCRIBED

Prague RUDE PRAVO in Czech 11 Jul 84 p 3

[Text] There has been a cooperation of long standing between the employees of the Brno Institute for Biophysics of the Czechoslovak Academy of Sciences and those of the economic production unit [VHJ] Lachema. Together these workers have been solving the problems of research and development of various preparations, drugs and medications. Above all, they are seeking a faster application of research results in production. Their cooperation has brought many advantageous results for the development of our microbiology, for the food industry and the production of medicaments.

This year the Institute for Biophysics of the Czechoslovak Academy of Sciences has pledged, for example, within the framework of the task of developing immunomodulators (substances enhancing the ability of an organism to defend itself against infection), to prepare specimens from the selected bacterial strains of *Pseudomonas aeruginosa* in quantities sufficient for clinical tests, and to check out the harmlessness and immunomodulative effectivity of these preparations in basic tests. For 1985 they plan to prove the effectivity of these preparations by further testing in animals. The workers of Lachema VHJ are again conducting clinical tests, and preparing technical parameters for pilot production. In the target year of 1988 the production is supposed to be approximately Kcs 10 million.

As for the preparation of protein A and its derivatives, the institute pledges to supply potential customers with required quantities of protein A for evaluation purposes. The institute will deal with problems of the product's purity, and next year it will work on problems of cultivating the production strains in larger volume. Lachema VHJ will work out production parameters so that in 1988 the production volume will reach Kcs 8 million.

In 1984 both organizations will continue to develop cytostatics, especially platinum cytostatics of the second generation. Here the principal aim is to contribute to the recognition of the mechanism of their antitumor effect, as well as to acknowledge the interdependence of their chemical structure and biological activity. The identification of this interdependence will influence the rationalization in developing new substances. We count on the production of some type of second generation cytostatics in 1987.

Another joint task is the production of non-antibiotic growth stimulants and of pesticides. The findings reached are supposed to rationalize the development of new substances, because the present-day stimulant used in poultry feeding is losing its effectiveness, and farm managers require that it be replaced by a new type. One such type should be introduced into production during 1988-1989 in an approximate volume of 30 tons. Expected practical savings amount roughly to Kcs 100 million.

The Institute for Biophysics of the Czechoslovak Academy of Sciences and Lachema VHJ have another joint venture: they perform tests of microbiological purity and sterility of various medications. This cooperation is also very beneficial for single plants of Lachema VHJ.

The experiences of good cooperation that have been gained so far have led both organizations to strengthen this cooperation by founding a research and production association.

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GERMAN DEMOCRATIC REPUBLIC

DEPUTY MINISTER DISCUSSES FORTHCOMING GRAIN HARVEST

East Berlin PRESSE-INFORMATIONEN in German No 72, 22 Jun 84 p 2

[Interview with P. Findeis, deputy minister of Agriculture, Forestry and Foodstuffs: "Grain Harvest as Test of Cooperation"]

[Text] The winter grain is ripening. As happens every year, this development indicates the first milestone of the harvest season. What does this mean for farmers during the coming weeks?

This year's grain harvest begins with winter barley which is the first grain to ripen; approximately 530,000 hectares will be harvested in July. The barley harvest will already show how well the cooperative farmers and agricultural laborers have prepared for this work.

Grain will be harvested from a total area of 2.51 million hectares. An average yield of 4.05 metric tons per hectare (0.08 metric tons more than in 1983) was planned for this year. High yields, particularly of grains, are imperative for the necessary production increases in the national economy and thus to aid in the realization of our main goal in the unification of economic and social policies.

During the coming harvest, which extends into the fall, a total of 130 to 135 million tons of agricultural products must be transported, prepared and processed or stored, while keeping losses to a minimum. The harvested fields are immediately plowed and retilled. Intermediate winter crops, stubble crops and winter grains will then be planted on 3 million hectares. In the coming weeks, however, about 5.8 million hectares of tillable land and pasture land must also be fertilized; crop protection measures will be taken on about 3.5 million hectares. At the same time comprehensive efforts will be underway to improve the fertility of the soil in particular.

Thus the cooperative farmers and farm laborers of the LPG (Agricultural Producer Cooperative), GPG (Horticultural Producer Cooperative), VEG (state farms) and their cooperative institutions, together with the employees of the kreis enterprises for agricultural technology and for grains and seeds, are faced with an important phase of the competition in preparation for the 35th anniversary of the founding of the GDR. They

are being supported as usual by numerous collectives in industry, transportation, commerce and other areas.

Many types of work must be done concurrently. How can this peak period of activity be managed?

With a comprehensive, well prepared cooperative effort on the part of all involved, from the villages on up. The basis for this effort is the harvest schedule of the LPG and VEG which is arrived at following consultation with and affirmation by our cooperative partners in plant and animal production. This schedule determines how the peak period of activity can be managed within the production cooperation group using its own resources. Working in two shifts, for example, is necessary in order to meet agricultural deadlines. In addition, the entire labor capacity of the cooperative enterprises, as well as that of the intercooperative institutions and institutions coordinating affairs among the enterprises, must be effectively employed.

Obtaining additional laborers for this important work is also the responsibility of the local councils in close cooperation with the local organizations of the VdGB (Peasants Mutual Aid Association) and other social organizations.

As has been shown in practice, it is very important that all the collectives taking part in the work be thoroughly familiarized with the harvest schedules so that each one knows precisely what its objectives are and how to achieve them, thus ensuring an organized effort. The common objective is to achieve the highest yields with the lowest possible expenditures of time and materials by effectively organizing contiguous time-limited tasks. This is possible when the entire production cooperation group prepares itself according to schedule for the "campaign," thus also taking into account adverse weather conditions.

What preparations are made in the cooperative efforts between the agricultural technology experts and the grain producers?

Naturally, good organization also includes ready availability of harvest and transport equipment and rapid repairs in the case of breakdowns. It is the pivotal issue in terms of the tasks of the agricultural technology experts and the focal point of their competitive efforts. During the past few weeks mechanics in the kreis enterprises for agricultural technology, in the LPG and the VEG have worked very hard to ready the harvest equipment on schedule. Also, during the harvest itself any necessary repairs will be made on the premises by designated mechanics, these areas of responsibility have already been determined.

About three-quarters of all grain is put in storage by the grain VEB. This means that within a short period of time the workers must collect, process and safely store the grain in warehouses while also maintaining quality and keeping losses to a minimum.

During "Harvest Preparedness Week" in June, cooperative farmers and laborers in the LPG and VEG, as well as employees in agricultural technology and grain production, check the status of the preparations and determine whether cooperative relationships and preparations within the enterprises themselves meet expected harvest conditions. It is very important to ensure that high-grade food grains, including wheat and brewer's barley in particular, are available to the public as planned.

How are the experiences and results of the best organizations shared during the harvest? How is the performance comparison made?

Mainly through regularly evaluating the competition and publicizing the results. The best producers among the collectives in the fields, in the grain and seed enterprises and in the kreis enterprises for agricultural technology receive public accolades each week in the kreises and bezirks. Within the harvest organizations the most important factor is yield per unit time with the lowest losses while maintaining diesel fuel consumption standards. In the past, know-how exchanges between mechanics both within the harvest organizations and extending beyond enterprise boundaries have proven the best.

Past years have shown that exemplary production can be achieved, particularly by those harvest collectives which work with determination toward optimizing the grain harvest. By employing these proven scientific and technical methods it was possible for these collectives to reduce harvest losses by 3 to 4 percent, to lower harvest diesel fuel consumption and, with the higher quality of the harvested grain, to decrease by at least one quarter the expenditures for drying.

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SUPPORT FOR INDUSTRIAL ACTIVITY OF FARMS UNWARRANTED

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[Article by Sandor Papp, candidate, senior scientific associate of the Institute of Industrial Economics: "Should We Support the Industrial Activity of Agriculture?"]

[Text] To this day the industrial activity of agriculture remains a subject of debate: there are still many who consider them to be foreign bodies within our agricultural enterprises, while others pay no attention to the sporadic negative phenomena which they occasionally entail. Our public opinion is still affected by-- previously prevalent--excessive profiteering efforts which have been the result of the involvement of certain shady elements from the outside, even though in the wake of a government resolution passed in the early 1970's these activities have been significantly curtailed.

Today the main objections sound more like this: state-controlled industry cannot compete with the wages paid by the producer cooperatives; the producer cooperatives are luring manpower away from industry, thereby creating a critical situation in certain areas and professions; the reason why the performance indexes of agriculture's industry are better is because they receive unjustifiably more favorable treatment.

The Development, Structure and Profitability of Industrial Activities

The industrialization of agriculture has played a key role in the development of industrial production in agriculture. The mechanization and centralization that have accompanied the increasingly large-scale character of production have contributed to the development of the technical-economic and socio-economic conditions of industry-type agricultural production. Subsequently, many activities have been added to the profile of our farms which could not be considered agricultural, and consequently the previously clear distinction between agriculture and industry has been gradually disappearing.

In our agricultural enterprises, state farms, producer cooperatives and partnerships there is not only available manpower, but they also have available facilities for starting an industrial plant, and this has even led to a more balanced utilization of the machines of the basic activity.

The birth and continued growth of the producer cooperative industry has been prompted by the need of our farms to provide continuous employment for their members and by the need to enable farms with unfavorable natural conditions to augment their small income.

The growth of this activity has been given a significant boost by the fact that in previous years, and even today, our socialist industry¹ has left some important needs unmet, both in the productive and in the personal spheres. The production of limited-volume or specially manufactured products has not been profitable for our big industrial enterprises, and--as a result of excessive organizational overcentralization which our state-controlled industrial enterprises have undergone during the past 3 decades--there have not been enough small and medium-size factories to do the job. Hence, the developing agricultural industry which from the point of view of its size is made up mostly of small plants, has taken the place of the declining small and mid-size plants of Hungarian industry.

Due to lacking capacities, certain jobs undertaken by the state industry have been performed extremely slowly and at enormous cost (for example, the completion of agricultural investments). Self-financed investments, machine repairs and spare part production have often proved to be cheaper and easier to adjust to the needs in time.

The development of this form has been further enhanced by the fact that often it has been initiated by county political and state leaders or by industrial enterprises, and that it has begun to receive an increasingly positive reception not only from local but also from national organs. This has to do with the fact that they have contributed considerably to the expansion of selection and in some cases of export commodity bases and to the reduction of export demands; they have helped to more fully satisfy local industrial and service needs and to solve local employment problems; they have increased enterprise incomes which has meant that our farms have been able to make an increasingly greater contribution to the meeting of common needs and that they have required less state support.

As a result of favorable conditions, starting from the mid-1970's the industrial activities of agriculture have been rapidly expanding, exceeding the growth rate of both industry and our rapidly growing basic activities. To give an idea of its present dimensions we can say that in terms of the combined index of state

industry and industrial cooperatives it constitutes about 11 to 12 percent of their total revenues and about 9 percent of the work force.

According to the findings of recent research², in agricultural enterprises with unfavorable potentials the weight of industrial production in the total revenues is generally greater than in those with favorable potentials. The explanation for this is that the worse the conditions of agricultural production are the more dependent these farms are on their incomes from non-agricultural (auxiliary) activities.

What often happens is that the auxiliary activities of agricultural enterprises (industrial and construction work, transportation, popular, social and cultural services, water management, trade) and their combined revenues are equated with industrial production. This despite the fact that the latter only makes up 35 to 40 percent of the revenues from auxiliary activities. Nor is it useless to point out that in addition to industry there is industrial production going on in every branch of our national economy. One-half of the total revenues of these are provided by agriculture and forest management, one-quarter by construction, one-sixth by domestic trade and the remaining ration by transportation and communications, and by water management and personal and cultural services.

At the beginning of the 1980's the breakdown of agriculture's industry by revenue was as follows: food industry 58 percent, wood processing 6 percent, industrial commodity production 24 percent and industrial-type services 12 percent. Within industrial commodity production the ratio of the net revenues of certain activities, compared with the production value of the appropriate branches of state industry and our industrial cooperatives looked like this: mining 1.5 percent, metallurgy 0.4 percent, machine industry 2.2 percent, construction industry 1.7 percent, light and other industry (without wood processing) 1.5 percent.³

Most of these industrial activities are closely connected with agricultural production: they are geared either toward establishing or operating conditions (maintenance, machine repair, mixed fodder preparation, etc.) or at increasing the level of processing of agricultural products (food industry and wood processing industry). A smaller portion of them are geared toward satisfying other industrial commodity needs of enterprises, public bodies and the population. This latter ties down about a quarter of the employed work force.

Special attention should be given to the industrial plants of producer cooperatives. Basically, three types of these have evolved:

1. Industrial plants that are dependent on producer cooperatives which are involved mainly in basic activities or are geared toward meeting the service needs of the local population. Their profitability is not high, but it is not the main requirement expected of them. Their production aimed at fulfilling their own needs has been prompted by inadequate selection. Also included in this category are the food processing plants of our producer cooperatives, the profitability of which lags behind both our state-controlled food industry and--to a lesser extent--the similar industry of our syate farms.

2. A significant part of the industrial plants of our agricultural producer cooperatives depend on our state industrial enterprises. They do not have any significant industrial traditions, and their experts are mostly of the executive type. The industrial enterprise frequently assists in the organization of the plant, in the training of workers, often it also provides the necessary machines and materials, and allows most of its capacities to be tied down for several years. Usually the agricultural cooperative provides the work force and the--originally mostly agriculturally-oriented--building facilities. It performs background industry tasks for the industrial enterprise. This cooperation is advantageous for the state industrial enterprises because the industrial plant of the producer cooperative performs the very jobs, by providing good quality and acceptable prices (that are the same as or lower than those charged by their state cooperative partners), which the industrial enterprise is completely unable to perform profitably or does not want to do for some other reason. In the producer cooperative, however, these activities have been profitable. In addition to these advantages this cooperation has also contributed to the introduction of an industrial production culture which has also had a favorable effect on the total production activities of the cooperative.

3. Business-like industrial plants enjoy considerable independence vis-a-vis their partner industrial enterprises and institutions (if they have such partners), and the--geographically usually distantly located--producer cooperative center. About the only decision this latter makes pertain to the appointment and dismissal of managers and the utilization of profits. In the course of marketing they deal with many customers and a frequently changing clientele. By adjusting flexibly to the existing needs and in the possession of significant technical and market know-how they are now able to accept limited-volume, unique, special and short-term orders. Thet manufacture mostly shortage goods, easy-to-market products, or perform services which are in extremely great demand and bring soaring profits.

One of the characteristic features of agriculture's industry is that compared with the state industry its profitability is extremely high. Although its precise level cannot be determined,

for our statistics do not list its profits separately from the profits of our main branches, the common feature of these somewhat divergent figures obtained by approximate calculations using various methods is that the profitability (profits compared with revenues) of these activities is estimated to be at least twice that of our state industry and 10 to 20 percent higher than the margin attained by our industrial cooperatives. In the construction, transportation and other auxiliary activities of agricultural profitability has been even higher.

We get a similar picture when we compare the fixed asset efficiency, or the asset- and wage-proportional profits of agriculture's industrial activities with those of industry. According to approximate calculations, in agriculture's industry these indexes are two or three times more favorable (higher) than in industry, despite the fact that the productivity of work in industry is much greater.

The efficiency indexes of production, therefore, are more favorable in agriculture's industry (and within it especially in the producer cooperatives) than in industry. In addition, while in the state industry work force levels have been constantly declining, in agriculture's industry they have been rising at a steady rate. It is these circumstances that have led to the most intense debates in the process of assessing the role of the industrial activities of agricultural producer cooperatives.

Why Is Smaller Bigger?

We have often heard, and have occasionally even read claims that earnings in the producer-cooperative operated industrial plants are extremely high. To support this claim people would quickly cite some cases of manpower allurements.

We can, of course, find examples in all of our national economic branches of people receiving higher wages at their new workplace; this is actually a common occurrence. Nevertheless, the data do not support the claim that industrial wages (and earnings) in the producer cooperatives are higher today than those paid in the state industry.

The statistical data show⁴ that while in 1975 in the majority of identical occupations agriculture's industry was still paying higher wages (although on the average it was paying less even back then), this situation since then has changed. Between 1975 and 1981 the increase in earnings in the state industry amounted to 44.7 percent and in the producer cooperatives to 44.2 percent⁵, with somewhat more of an increase in the basic activities and only 27.3 percent⁶ in the industrial activities. Today the wages paid in agriculture's industry amount 60 to 90 percent of the wage levels in the appropriate industrial branches, and the situation is similar in the case of work-time proportional total

earnings. Naturally, one could attack these kinds of combined data by pointing out that the differences in working hours and occupational structure make it impossible to give an accurate picture of the wage ratios enjoyed by workers of identical occupations in the various branches of our national economy. The September 1982 data of the KSH [Central Statistical Office], however, also reveal that when we take the same occupations in the state and producer-cooperative operated industries, hourly wages in industry are typically higher.⁷

Hourly Wages in the State Industry

higher		identical*	lower	
by %	number of occupations	occupations	by %	number of occupations
40-45	1			
30-40	0			
25-30	3			
20-25	24			
15-20	9			
10-15	7			
5-10	28		5-10	2
1-5	17		1-5	4
Total:	89	11		6

*Under identical I included differences of less than 1 percent

Why is it that in our public opinion and even in certain professional circles one can still encounter beliefs which do not reflect actual reality?

As we have already pointed out, the wage ratios between the agricultural and state industries have gradually changed. Opinions reflecting the previous situation, however, continue to linger on which is due in part to the fact that while after 1972 higher average wages in the agricultural cooperative industry were quite strongly denounced, their relative decline has remained a virtual "secret."

Due to the broad spectrum of wages paid in the auxiliary activities of producer cooperatives, despite their significantly lower average there are occasional instances where in a given farm and in certain jobs wages may exceed the average that can be attained in industry by performing jobs of similar classification. The difference can be especially striking if a geographically closely situated, poorly paying plant is compared with an outstandingly well-paying agricultural producer-cooperative operated industrial plant. (For the sake of objectivity it should be pointed out that the opposite of this is also not uncommon.)

Also reinforcing the existing beliefs regarding higher industrial wages in the producer cooperatives is the fact that they more

generously reward better performance than industry and pay less for weaker performances. Despite all of our declarations and resolutions calling for differentiation in the state industry, wages have become increasingly levelled. According to interviews conducted at industrial plants, to case studies prepared on the basis of them and to the experiences of practical experts, the tendency in our agricultural cooperatives toward levelling is not quite this strong which is evident from the higher rewards paid to certain outstanding experts and from the rather low wages paid to certain local semi-skilled workers. Furthermore, the wages of skilled workers who make of the core of industrial plants employing eight to ten people cannot be compared with industrial workers of the same profession because their function is different. In most cases the outstanding skilled worker is also the manager, transactor and plant organizer of the producer cooperative plant while he continues to perform the professionally most demanding jobs.

In certain areas (especially in Budapest), if the producer cooperative employs mainly workers who are not connected with the cooperative center in any way, and if the workers can choose among industrial workplaces, then obtaining the necessary work force can only be imagined within the framework of some kind of competition which may have some motivating factors: higher wages, better social provisions, better working conditions, more interesting work, more relaxed performance requirements and the possibility of earning more money for more work. These factors may offset each other; for example, the repulsing effect of less favorable working conditions and poorer social provisions, etc., may be offset by the possibility of higher earnings and vice versa. What this compensatory demand may lead to and in some cases has meant is that while a worker transferring from industry may receive a higher income in the industrial plant of the producer cooperative than at his previous place, he must work under less favorable working conditions.

The reason why the producer cooperatives can pay higher wages is because the regulation of average wages has made it possible to give certain strata of workers better pay at the expense of lower wages in others. Often this higher wage is more than what the person received at his previous state industrial workplace, but is lower than the average industrial wage. This is frequently the case when the person deciding to change jobs is a young or unskilled worker. In the state industry there are significant age-related differences in earnings. In the producer cooperatives, however, the age-determined hierarchy of earnings has not developed the same traditions as it has in the state industry. Here it is performance which plays a greater role.

The earnings of the auxiliary activities of the Budapest agglomeration have been the highest in the construction industry and ser-

vices, but since public opinion cannot perceive the difference between auxiliary and industrial activities it tends to generalize. Admittedly, there have also been occasional instances (especially in the capital city) where the Budapest offices of provincial agricultural producer cooperatives have--primarily in their newly established divisions--paid higher than justified wages by breaking our labor laws.

Are the Producer Cooperatives Responsible for the Manpower Problems of State Industry?

After this the obvious thing to ask is that if in general the industrial plants of the producer cooperatives pay less, then why is manpower going over to them?

--Most (about two-thirds) of them are not going there, for they were there to begin with and have merely been transferred within the farm from the basic activity to the industrial job. Our agricultural enterprises have been quite successful in accomplishing what in our industrial enterprises is still rare, namely in redistributing their workers in the quantities and composition necessary from one job to another. In agriculture the majority of the enterprises and workers have accepted redistribution and the retraining it has entailed.

--Some of them while newly employed as first-time employees have come not from somewhere else but are local residents. This has reduced the number of people migrating to industry. One evidence of this phenomenon is the fact that the work force of our ministry-controlled industry--despite a decline in the number of people quitting, and due to an even greater drop in the number of new hirings--has been essentially diminishing for years.

--Also participating in the industrial activities of our producer cooperatives are significant number of unskilled homemakers and elderly people (on a part-time or outworker basis) whose fragmentary working time can only be utilized locally. This stratum is willing to accept local work even for lower wages, for they have practically no other employment possibilities. In recent years their proportion has significantly increased which has been one of the reasons behind their high average wage ratio compared with industry.

--The members of a significant stratum--the commuters--are returning to the villages, perhaps even for lower wages, mainly because they are finding industrial work close to their families which enables them to take advantage of both the industrial workplace and the village environment.

--The situation is different in the case of divisions that are set up outside the premises of the big agricultural plant in the

cities, and which employ mostly workers who have no connections whatsoever with the producer cooperative.⁸ Here the hiring of city-dweller workers who were previously employed by another enterprise is obviously not possible without ensuring them higher wages, more work opportunities and fewer work restrictions than what they were used to at their previous place of work.

In certain areas where there is a shortage of certain worker categories, such as unskilled workers in Budapest, our national economic branches have been taking manpower away from each other. There are areas, therefore, where a competition has developed to attract manpower.

The situation is different when we look at the turnover of skilled manpower between the industrial activities of agriculture and industry. For it is possible for skilled manpower to move from industry or from the industrial activities of our other national economic branches over to agriculture's industry, but it is rare for skilled workers to go over to industry. The reason for this is that only industry trains skilled industrial workers, hence only "at the expense" of industry can the other national economic branches satisfy their skilled industrial worker requirements.

In certain cases, and from the point of view of the quantity of manpower within extremely strictly defined limits, therefore, agriculture and industry are engaged in a competition for obtaining and retraining manpower. On the national scale, of course, this competition is not too significant, for of the annual manpower loss of industry only about one-quarter or one-fifth can be blamed on the state and cooperative sectors (basic activities, industrial and other activities) of agriculture and forest management.⁹ Still in some industrial enterprises it may cause a serious problem if a worker employed in the shortage professions who is difficult or impossible to replace decided to quit. Yet it cannot be said that the concept which had opened the gates wide before the development of agriculture's industry was wrong, first of all since agriculture's industry plays an important role in meeting social needs, secondly, because work force reductions are usually not negative phenomena, and thirdly, because the main causes of manpower shortages have nothing to do with the "actions" of the producer cooperatives.

In 1980, 47,400 people moved from industry to agriculture or forest management (of whom, of course, only some are involved in the industrial activities of the producer cooperatives), while the flux of manpower in the other direction amounted to 42,900 people, in other words, judging on the basis of the manpower balance of the two branches industry lost 4,500 people to agriculture. These ratios have not changed very significantly since, although industry's loss of manpower to agriculture has increased

somewhat. The chief source of manpower employed in the industrial production of our producer cooperatives, however, has been not the state industry but the basic activity of the producer cooperatives.

A decline in the work force by itself is not a problem since by international comparison the work force level of our industry, relatively speaking, is still high due to its low productivity. Presently, industry is faced with a shortage of manpower in terms of created capacities (workplaces), and an excess of manpower in terms of the tasks it is expected to perform. Since in rewarding outstanding performances industry's possibilities are more limited when compared with some other areas, it often loses some of its workers.

The (real and apparent) cause of manpower shortages in industry stems from the way the manpower-intensive and otherwise important and well-established development processes (infrastructure, the industrial activities of non-industrial national economic branches, new management forms) were launched in certain areas by our system of management in previous years--despite the fact that it had had timely knowledge of the work-force reducing effects of demographic processes--, namely, from its failure to take measures (the elimination of economic necessities and unprofitable activities, manpower-saving developments and providing incentive to create an interest in these) that would have helped to free the work force required to meet the growing manpower needs of the areas to be developed. When looking at the development of our industrial work force we have unjustifiably neglected the number of people employed in the industrial activities of our non-industrial branches (agriculture, forest and water management, the construction industry, domestic trade, transportation, communications and services). If we also take these into account we find that compared with 1975 the decline in the work force of Hungarian industry is only half of what it would be if we limited our attention to the state industry and industrial cooperatives. And the fact that one-fifth of the people involved in agriculture's industrial activities perform commissioned work for our state-operated industrial enterprises really cannot be neglected.

Are the Conditions of Regulation Unequal?

There are many who attribute the favorable accomplishments of agriculture's industry to the more favorable regulations which have been applied to it. The manner of regulation in their case is indeed different, for in the area in question the regulations that apply are the ones that were prepared for agricultural, not industrial basic activities, with the difference that industrial activities are also subjected to production taxes.

The quantitative requirement which these regulations have been expected to meet is to ensure that the income-diverting effect

of regulations in the industrial activities of agriculture and industry are equal. The production tax rates have been designed by the Ministry of Finance in such a way so that they offset the advantages which agriculture's industrial activities have enjoyed due to different regulations. Whether or not we have finally achieved this goal is hard to determine, for the goal had not been clearly defined.

It is unclear, first of all, whether the tax obligations of industrial activities are to be adjusted to the burdens levied on state industry, the industrial cooperative or the two of them combined. Secondly, the goal is unclear as to the standard that is to be used to ensure equal distribution of the tax burdens. If added value is to be used as the measure then we have approximate equality. If we use net income then the taxes levied on the industrial activities of agriculture are about 2.3 times as high as the tax burdens of our state industry; if we take the profits which remain with the production unit (incentive results) then the tax burdens of agriculture's industry are about ten times greater than those of our state industry. In my opinion--without going into extensive discussions of professional arguments--the basis that should be used is the tax burden expressed as a percentage of added value, and it is the equality of that percentage which should be maintained in the future.

If we examine our system of regulators from the point of view of quality then unfortunately we must conclude that the regulations have not led to the attainment of our quality objectives, and that in industry they are further from achieving them than in agriculture or in agriculture's industrial activities. There has been an increasingly widening gap between the intentions expressed in the changes introduced at the turn of the 1970's and 1980's, and reinforced several times since then, in our system of economic management and our increasingly more operational practice of economic management. Our overly detailed, individual-oriented and profit-balancing regulations which often reach all the way down to the enterprise level have made socialist-business type management has a lesser and often no real effect at all on the economic decisions of our industrial enterprises.

At the same time, agricultural regulations which are more normative, more profit-oriented and more cost-sensitive than those in industry have helped to take advantage of the favorable market situation. In our producer cooperatives there has always been, and still is a closer relationship between profits and incomes, and the conflict of interests between increasing personal incomes and wealth accumulation can be more easily resolved than in the state industry. In agriculture, regulations are not levelling but differentiating in character, and the tax burden on income increments is considerably lower than in industry. As a result of all this our farms have been more cost-sensitive, hence our

producer cooperatives and their industrial plants have had a greater interest than our industrial enterprises in taking better advantage of the factors of production. If the producer cooperative has unutilized manpower, vacant economic facilities, still usable but unutilized machines, rather than holding them in reserve for the future it will start some type of activity with them. If it does not work out (and there are examples for this) it tries something else. It does this because it is lucrative, because it is worthwhile and because the framework of agricultural income regulations compels it to be more savings-minded in its management and to become involved in business activities in the positive sense of the word.

The differences between the regulatory systems of the two branches --not the quantitative differences between the average values of income regulation but the above mentioned qualitative differences --have played an important role in enabling the producer cooperative to take advantage of the favorable opportunities which, in part because of regulatory reasons, the state-operated industrial enterprises have been unable, or have found unprofitable to do.

The Reasons Behind More Efficient Management

To a considerable extent the improved efficiency of management has been the result of greater flexibility on the part of the industrial plants of our producer cooperatives and of their improved ability to adjust to the conditions of the market. The following factors have been primarily responsible for this improved flexibility:

--our higher organs do not make the same type of specific demands toward them as they do toward state-operated industrial enterprises (as far as exports and supply responsibilities are concerned);

--producer cooperatives (and often even their industrial activities) are combined businesses, in which the focus of interest may easily change according to market demands;

--a significant portion of the capital equipment in their possession is universal and thus can be used to perform a variety of tasks;

--the amount of manpower used may be decreased and expanded according to need by changing the number (working hours) of part-time homemakers and outworkers;

--in most cases they are in direct touch with the market;

--because of their size they cannot monopolize certain activities, therefore, even if not always, generally they are more frequently forced to operate under conditions of competition;

--they do not have too many possibilities to use outside financial sources, hence they have had to rely on themselves and the market, and due to their size they have been more exposed to the market forces which, therefore, must be taken into account;

--owing to its less hierarchically structured work organization and its smaller (on the average 11-member) plant size, to its less rigid separation of management circles, and in some of the plants to the greater independence of the managers the decision-making process has been much faster.

Still another reason why management has been more profitable is because the general costs and other expenses of both the basic and auxiliary activities of our agricultural producer cooperatives have been significantly lower than those of our industrial enterprises.

Another important factor is that the--generally speaking--lower profitability of industry has been the result of the fact that our efficient enterprises have been forced to carry along those that are barely profitable or have been operating at a loss. In the producer cooperative sector this would be inconceivable. There if a plant is consistently losing money it is liquidated, which generally means that its average profitability is computed only on the basis of its profitable plants.

Paradoxically, the increased profitability of management and the improved efficiency of capital stock utilization have been partially due to the extremely poor mechanization of work. This is attributable in part to the fact that our industrial enterprises are leaving primarily labor-intensive, limited-volume or individually producible products to the agricultural industry which do not lend themselves quite as well to mechanization. It is also due to the fact that the industrial activities of agriculture are often being performed in old, obsolete, and from the point of view of labor hygiene questionable facilities of relatively little value that had been built for some other purpose.

Its capital equipment supplies are worse --from the point of view of both quantity and quality--not only compared with industry but also with the basic activity. The basic reason behind this is that --often in a overly one-sided manner--the industrial activity is left with the task of having to create the financial resources that are necessary for the development of the basic activity, while at the same time maintaining their industrial activities at an even higher than justified manufactural level. This is not merely a reflection of the views of the affected cooperative leaders, for this function of the industrial activity has been underscored and occasionally even forcibly asserted by our system of regulators.¹⁰

Considerably reducing the need for capital equipment has been the fact that under the outworker system producer cooperative members can be involved in industrial production at their homes, often using their own simple machines or tools, therefore from the point of view of the producer cooperative, essentially without any capital equipment investment. This is undoubtedly an economical and contemporary solution which is also extremely widely used by modern Japanese international concerns.

The managers of agriculture's industrial plants--since their personal incomes depend considerably on their accomplishments--have been trying to make up for their lack of investment resources by making the best possible use of their available resources, by introducing minor cost-cutting innovations, technical and work-organization related changes and by creating incentives for their workers to take an interest in these efforts. Creating an interest in attaining the best possible results by making minimal investments is an important factor in improving efficiency.

This improved capital equipment efficiency also has structural reasons behind it. For the industrial activities of our producer cooperatives have shown the greatest progress in those branches where capital equipment needs have been the lowest.

What Next?

While agriculture's industry does not require special support, it also should not be curtailed because it fulfills a socially useful function.

The way to solve the problems which may arise from any comparison with the state industry (manpower allurements, profitability, efficiency) is not by giving agriculture's industry a different treatment, but by continuing the development of our economic management as stated in the 17 April 1984 declaration of the Central Committee, by implementing radical regulatory changes, and on the basis of these changes by modernizing the management of our industrial enterprises.¹¹

Agriculture's industry also occupies a place of its own within the organizational structure of industry. Presently, the natural competitors of the industrial activities of agriculture are the industrial cooperatives, enterprise-based business work partnerships, small businesses and the private small industry, and they only very seldom include big enterprises. This latter, however, also should not present any problems. One of the basic conditions of operating a well-functioning price and financial system is competition. Hence, rather than curtailing producer cooperative industry in those areas where it is already competitive we should encourage it. The problem is that today we still do not have any industrial policy concept that would define what the goals and perspectives of agriculture's industrial production should be,

and how it should become a part of the industrial activities of the national economy.

In my opinion the expedient thing to do would be to develop the industrial activities of agriculture in three main directions:

1. To a lesser extent we can still continue the development of auxiliary activities aimed at supporting the agricultural basic activity on the one hand, by way of selection-expanding reprocessing of agricultural products, and on the other, by satisfying the production needs of the basic activity (machine repairs, rebuilding of parts, etc.) in those areas where these needs cannot be met expediently within the big enterprise framework.
2. Of the various types of production and services aimed at satisfying popular needs mainly those should be developed which would otherwise be difficult or expensive to organize within the framework of a big enterprise, or which are geared toward meeting frequently and significantly changing needs.
3. Potentially one of the most far-reaching developmental direction of agriculture's industrial activities may be the development of background industrial activities. Because of our earlier end-product oriented industrial development there has been an increasingly great disproportion between the spare-part and component-unit requirements of the end-product producing enterprise and the output of the background industry which has been trying to keep up with those needs.

Due to the overemphasis which in some areas it has been so fashionable to place on small businesses it should be stressed that in the future it will continue to be up to our big and medium-size enterprises to solve the basic problems of technical development and the most important tasks of domestic production and exports. In doing so they will have to work as partners and not rivals in the industrial production of our producer cooperatives. This partner relationship can only develop on the basis of mutual interests, although in some cases it also cannot rule out rational competition. Competition must not be interpreted merely as a challenge, especially not as a challenge exclusively against the state industrial enterprises. For I do not believe that it would be fair to underestimate the productive capacity of Hungarian industry so much as to question its ability to compete with agriculture's industry.

We also need to change the atmosphere which presently surrounds the producer cooperative industry. Publicity should not only be given to certain (uncharacteristic!) negative phenomena, but also to the positive features which are in the majority. Our agricultural enterprise managers and legal overseeing agencies

can do a great deal (by intensifying their activities aimed at greater control and curtailing irregularities) to affect a favorable change in our public opinion.

FOOTNOTES

1. Our statistics treat state industry and the industrial cooperatives together as socialist industry.
2. "The Accomplishments and Problems of the Industrial Activities of Agricultural Producer Cooperatives," IPARGAZDASAGI FUZETEK, Institute of International Economics, Vol 1, December 1983.
3. "Az iparon kivuli mezogazdasagi agak ipari tevekenysege 1975-1980." (The Industrial Activities of the Non-Industrial National Economic Branches, 1975-1980), KSH.
4. "Az iparon kivuli mezogazdasagi agak ipari tevekenysege 1975-1980, illetve 1981." (The Industrial Activities of the Non-Industrial National Economic Branches, 1975-1980 and 1981), KSH.
5. TOT [National Council of Producer Cooperatives]: "Mezogazdasagi szovetkezetek gazdalkodasa a szamok tukreiben." (The Economic Management of Agricultural Producer Cooperatives as Reflected in the Numbers), Budapest, 1982. (compiled by the KSH)
6. Own figures
7. Calculated on the basis of the KSH's preliminary data.
8. These types of divisions have been established mainly in the capital city. According to a survey conducted by the Capital City Council in 1981 these divisions employ a total of 50,000 to 55,000 people, 8,000 to 8,800 of them in industrial activities and the others in services, the construction industry and trade. They come mainly from among the workers of the agricultural producer cooperatives of Pest and Borsod-Abaúj-Zemplén counties. The capital-city activities of agricultural plants are aimed basically at meeting enterprise and public needs.
9. It should be noted that since the expansion of enterprise-based business work partnerships the position of industry in this competition has improved.
10. For example, the regulation that the cancelled sum of the production tax levied on industrial activities must be spent on the development of agricultural activities.
11. "The 17 April 1984 Declaration of the Central Committee of the MSZMP," TARSADALMI SZEMLE, 1984, No 5.

LAW AIMS AT CONSUMER, PRODUCER PROTECTION

Editor Views Law

Budapest OTLET in Hungarian 14 Jun 84 p 3

[Article by Akos Erdos: "Dialogue on Unfair Profits"]

[Text] Dear Reader! "For the purpose of limiting economic competition it is forbidden to use prices that are disproportionately low when compared to the prices for the same or similar commodities in trade." If it is true that the compulsory orders in statutory provisions are drafted according to recurrent behavioral types, this paragraph of a bill now in process exhibits no little optimism. At one of the recent committee sessions in Parliament, this wise prohibition evoked lively laughter from the representatives who are less isolated from today's Hungarian reality than the drafters of bills of law.

After more than six decades, a new law on competition is being prepared once again, and this fact has served as the basis of our front-page story. I do not agree with those who believe we should first create competition, and then we would have time for redoing the prohibitory passages. A fair market behavior law and of course its consistent observance (observance!) is also needed by an economy which is not yet characterized by an equilibrium between supply and demand, in which we daily encounter shortages and the market relations cannot guard against the unfair use of economic advantage. You can familiarize yourself with the details of the provision under preparation from our summary account. The basically new feature of the bill is the often quoted provision (as opposed to the still valid Law V of 1923) that it wishes to guard not only the interests of the competing partners but also the consumers. To this end, it also affords the consumers a new possibility. According to this: "Whoever by way of unfair economic activity causes significantly great harm affecting broad circles of consumers may be subject to a suit by the Hungarian Chamber of Commerce--as belonging to its tasks--or the National Council of Consumers or the national interest representational organs of cooperatives in the interest of securing the rights of consumers even if the consumers who have suffered harm cannot be identified by person." This is the so-called public interest requirement that may make it possible for consumers to claim rights more effectively than at present in matters which irritate so many people today. Perhaps fewer will have to fight alone with a post office that has the predilection for overcharging, with a Patyolat [Dry Cleaning Enterprise] which onesidedly rejects responsibility, or the enterprise that manufactures furniture incompatible with tidiness.

The bill is designed to promote socialist management principles in economic relations, the consistent implementation of management and ethical norms of business fairness. It is an important phase in the further development of the economic guidance system leading us to rely on the motors of the economy rather than on the brakes. Profit will continue to be at the center of enterprise interest. It is more than an econopolitical interest that this profit should come from fair management and not from injury to the competing partner or the consumer.

The rule under preparation to forbid unfair economic activity seeks to assure in advance the norms of a dynamically functioning economy. And if like its predecessor this law survives 60 years, we will also live to see the courts penalize with strict sentences all those who seek to sell their products at a "disproportionally low price." Until then it would appear better to concentrate our strength and paragraphs of law against disproportionally high prices.

Price Office View of Law

Budapest OTLET in Hungarian 14 Jun 84 p 10

[Interview with Dr Gyorgy Boytha, deputy chief of the administrative and legal department of the National Material and Price Office, by Andras Deak; date and place not specified]

[Text] In recent weeks various committees of Parliament debated the bill regarding the prohibition of unfair economic activity. As explained to the representatives by the judicial officials, Law V of 1923 regarding unfair competition is out of date because, for example, it protects only one of the competitive partners. The regulation does not extend to the interests of the consumers.

It is an important goal of the new regulation to extend protection, on the model of modern rights in foreign countries, against all forms of unfair economic activity, both to fellow competitors and to consumers. Since for the time being scarcity still dominates on the domestic market we must provide increased legal protection against the abuse of economic advantage. Finally, the goal of regulation is the development of economic competition and the taking of action against behavior designed to limit competition.

To this end, the bill includes a series of important provisions: for example, it forbids the slandering of reputations, the acquisition of business secrets by unfair means or their unlawful publication, misleading of the consumers about a commodity, combination sales, and the implementation of unfair prices.

[Question] Among the many subjects that are available, let us choose the prohibition against unfair prices and ask Dr Gyorgy Boytha, the deputy chief of the administrative and legal department of the National Material and Price Office, how unfair prices instead of unfair profits came to be included in the bill.

[Answer] It is true in fact that according to the statutory provisions now in effect the basis of responsibility in the area of free prices is unfair profit. With the modernization of economic guidance and in harmony with the development of the price system, the relationship of price and method of calculation is being

basically changed. In the future, calculation will not be made in order to establish the costs better. With the concept of a new kind of price system it would be contradictory to take one factor from the price--the profit--and declare this to be fair or unfair.

[Question] A call to account on the basis of unfair profit is also somewhat in contradiction with the profit orientation of the economic order for on one hand we stimulate the enterprises to make as great a profit as possible and on the other hand we penalize them for profits that are too great.

[Answer] No doubt this is a contradiction in the present regulation, but there are other problems also. According to the statutory provision, profit is unfair if it is attained by the enterprise through the violation of statutory provisions regarding price formation. This regulation is not clear. It may happen that the rules for price formation have been violated and the method of calculation is contestable but the price is still not disproportionally high. It may also cause problems in present-day practice because the question of unfair profits arises only in free-price products although in practice the individual price rules frequently work together.

[Question] What kind of judgment change does it imply that the bill alters the concept of unfair profits to one of unfair prices?

[Answer] Price is a more comprehensive category than profit because it includes more than profits. It is extremely important to its character that it is formed on the market and if it can deliver the same product or service at the same price at much lower cost, its profit will naturally be much higher. But this is not an unfair profit! The requirement of fair management can be measured primarily by the market ratio of the prices used.

[Question] There are many who believe that in an economy that is functioning there is no need--excepting official prices--for administrative price regulation because the supply demand equilibrium automatically shapes prices as well.

[Answer] Undoubtedly the market has a certain self-regulating role, but this can be abused, and therefore legal safeguards are also necessary to realize business fairness. It is not by accident that in all countries with a developed economy rules have been developed for market adjustment. To use a transportation comparison: as long as just a few cars are on the highway there is no particular problem, but when thousands of cars are traveling, it is time to paint the bisecting line and bring on KRESZ [Traffic Regulations for Public Thoroughfares]. This is also true of economic life, where the basic "behavioral" rules must be observed by everyone. To put it figuratively, if we dance in boots we can easily tramp on someone's foot.

[Question] It can really be expected that if competition develops, and in fact is deepened--this will also be stimulated by various new statutory provisions in wake of the position taken by the Central Committee--many of the enterprises will not be "traveling" in ballet shoes. But still the most important price controller is the buyer and consumer. How will the price authorities protect them?

[Answer] Even against their will. In public utility overcharges it frequently happens that the customer unit is paying for work that was never done because it has the money and does not want to become involved in a conflict with the supplier or implementer who is in a monopoly situation; the customer is already thinking of the next transaction. In such cases, the organ that performs the price control work takes resolute action against the unfair price or fee, if it is out of proportion with the price relations that developed on the market. It may also happen that the authorities may order the enterprises to reduce its prices to the full amount of the surplus price receipt.

[Question] To what extent does the new regulation affect small producers, artisans and retailers?

[Answer] The determination of the concept of an unfair price must be extended to all products and services, independently of who sets the prices. Therefore, the concept applies as much to the small producer as to the economic organizations. At present, artisans and retailers must pay as a sales tax that income which was attained by violation of the price regulatory provisions. It appears advisable to put an end to this rule, for it is unjustifiable not to apply in the future unified sanctions against economic organizations, artisans and retailers if they set unfair prices. Unification is also supported by the fact that it will become possible to assess an economic penalty against private individuals involved in economic activity. Of course, in the case of artisans and retailers who gain higher income by violation of regulatory provisions the authorities may continue to review tax returns and perhaps increase the tax.

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PRICE DISCREPANCIES NOT ALWAYS SIGN OF CHEATING BUYER

Budapest OTLET in Hungarian 14 Jun 84 p 15

[Article by Eva Szenes: "Buyer, Pay!"]

[Text] What will the Dear Reader think if the same thermostatic control which is available in Pest for little more than 500 forints is on sale for, let us say, twice as much in the shop window of a store in Zala? Or if a woman's shoe sells for 180 forints at Corvin and the same shoe for 230 forints at the Verseny Department Store?

Obviously he will think that he has encountered a typical example of the often mentioned unfair profit. But he would be mistaken. Not only is there no unfair profit but also no irregularity. All that happened was that the thermostatic control (a Hungarian product, a Hungarian item in shortage) came to the store in Pest from the manufacturer. The provincial enterprise, on the other hand, bought back a Hungarian product that had been exported to the CSSR, and therefore was "compelled" to raise the price for some additional costs. The producer price may be the explanation of the shoe with the variable price, and also how much the commercial enterprise allotted from its own risk-taking fund.

Even the never-to-be-forgotten "Spanish shoe" affair did not belong in the unfair profit-taking category. (Manufactured in Spain, this footwear was originally made in such a way as to accompany the wearer on his last journey, where as is well known one does not go on foot.) The quality of the shoe and the purchase price met requirements, the only problem was that it was sold in Hungary for promenade purposes--10 years ago--for 5,000 to 8,000 forints. Even though these are extreme examples, they show at least that it is very difficult, almost impossible, to catch anyone redhanded at unfair profit taking. Since 1980, for example, the market and price controllers of the Domestic Trade Ministry have not found an example of it--if we disregard the eternal machinations in the vegetable-fruit trade, and the recent example that cash registers automatically disappear when a business is transformed into a contractual one. It is a "quality" difference if, let us say, a private retailer is called to account for excessive prices. It could happen if the certificates exist or if he is such an amateur that he forgets to cut the factory label from children's hoods acquired from a neighboring state store. He certainly cannot sell at a higher price goods bought from the central commodity base. It is true, of course, that Hong Kong cotton jerseys, for example, are expensive enough even without the maszek [private sector], for 45 forints of every dollar is without other "price-forming factors."

But let us return to domestic prices for domestic products. Probably it is no easier to find one's way here than in foreign merchandise. It deserves special attention in the process of price formation that in Hungary the ratio between free and fixed prices is 51 and 49 at present. The producer price makes up 60 to 80 percent of the consumer price as opposed to the usual 30 to 40 percent abroad. The commercial profit rate is around 14 to 15 percent on the average, while foreign sellers work with a profit margin of 30 to 40 percent. Plainly speaking, the ratios mean that industry is producing expensively, and the price in fact, is not dictated by the market or commerce but by the manufacturer.

Here we come slowly to surprisingly high prices for an everyday product like men's cotton underwear--if available, almost 60 forints, and the bare fact draws tears of joy to the eyes of the merchant--or like a baby's shirt which is at least equally indispensable. The price for the latter comes to 35-40 forints because its production is not profitable. The authorities protect the price of children's clothing, but various regulators make it possible for a factory to free itself from manufacturing unprofitable products. This is when the "price bargaining" starts and the outcome is not in doubt because a baby's shirt is necessary--to say nothing of the underwear.

But a commodity need not be unprofitable to keep the price rising. This is true despite the fact that in 1979 the commercial rates of profit percentage were fixed for individual products in an extensively omnibus way. But in the same year a decree appeared which permitted--in the case of products whose prices were not officially fixed--the commercial enterprise to depart from the guiding profit rate and calculate a new one. For the most part the possibilities exist where there is a frequent turnover, the products belong in the free-price category, and the "guiding rate" would not be enough for the enterprise to survive. Modi, for example, sets its own profit rate ratio which is different from the "guiding rate"--10 percent instead of 7. But Centrum, Szivarvany and Aranypok calculate with an enterprise profit rate. And finally, what do we pay?

For high-top baby shoes of the Sabaria factory, for example, we pay only a fraction of the actual price, or 167 forints. Production comes to 257 (!) forints, the value of the used material alone comes to 139 forints. The state makes up the difference. But what is lost on the swings is made up on the roundabouts--on women's clothes, yard goods, imported perfumes, not to mention the 50 percent guiding profit rate on folk art objects, statues and devotional pictures.

This is how the vacuum sweeper from the GDR with a price level of 591.46 forints takes on a consumer price of 850 forints, and the taperecorder/radio with its price level of 2,092 forints gets a consumer price of 2,990 forints. The price of the automatic washing machine is 6,923 forints when it arrives in the country, but by the time we buy it the price is 8,980 forints. Women's clothing from the Fine Spun Factory starts at 339 forints. To this is added 6.5 percent wholesale and 10.5 percent retail tax, profit margin, and a 23-percent sales tax. But as we know Centrum works with its own profit rate, and therefore the wholesale profit margin is 11.5 percent, and the price of clothing 591 forints. The situation,

is somewhat more complicated if the product is not Hungarian and comes via small border trade into the country as, for example, the Yugoslav deep freezer. Here the foreign exchange price, the foreign trade premium and customs represent the producer price: 10,539 forints and 44 fillers. They add on a 10-percent profit rate, 11 percent sales tax, and a 6-percent warranty fixed rate; this latter belongs to Ramoville. Thus in the end the deep freezer's price is 15,600 forints. It could be more--they say--but a solid price policy is the slogan of the Centrum department store.

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CONDITIONS DISCOURAGE ENTREPRENEURS

Budapest OTLET in Hungarian 14 Jun 84 pp 23-23

[Article by Dr Erno Herner: "Entrepreneur Sought"]

[Text] At the end of last year there were 11,251 businesses that lent capital assets, operated by contract, had an income incentive and were self-accounting, that is, more than 20 percent of total businesses. In the fourth quarter of the year these units conducted almost one-fourth of commercial trade. Thus there is no apparent problem with entrepreneurial willingness. In fact, this is not the case. The number of businesses operating under the new form could be essentially higher. But in principle, 17,000 businesses are waiting to operate under income incentive; and 27,000 units under contractual or capital leasing entrepreneurship!

Table 1. Increased Number of Businesses Operating Under the New Form

Üzlet típusa (2)	(1) Üzlet szám				
	1981 előtt (3)	1981	1982	1983	1983. dec. 31.
Bérlés (4)	50	133	137	178	498
Szerződéses (5)	—	2054	3841	3164	9 059
Jövedelemértd. (6)	—	—	14	1480	1 494
Önfinanszírozó* (7)	10	—	30	70	200
Összesen: (8)	150	2187	4022	4892	11 251

* Becsült adatok (9)

Key:

1. Number of businesses
2. Business type
3. Before 1981
4. Capital leasing
5. Contractual
6. Income incentive
7. Self-accounting
8. Total
9. Estimated data

It is still not characteristic for entrepreneurs to volunteer for the new system of business operation, but rather the organizations must seek out the skilled workers and often talk them into accepting. The following table summarizes entrepreneurial willingness to acquire contractual businesses.

Table 2. Acquired Contractual Businesses in Percentage of Those Available

Üzlet típus (1)	1981	1982	1983	Átlag
Élelmiszerboltok (2)	21 %	34 %	30 %	30 %
Iparcikkboltok (3)	28 %	43 %	48 %	45 %
Vendéglátó üzletek (4)	80 %	64 %	66 %	70 %
Együttesen: (5)	59 %	48 %	45 %	50 %

Key:

1. Business type
2. Food stores
3. Industrial consumer goods retailers
4. Restaurants
5. Total

A role is played in the continuously long conversion by the labor-intensive nature of the preparatory work, the lack of profitability data necessary for determining requirements and factors depending on the economic organizations. But this is only one side of the problem. The biggest problem is presented by the lack of entrepreneurs. Up to now a total of 22,000 businesses have been offered by enterprises and cooperatives, and only one-half of these have been taken. The greatest number of acceptances has been in the restaurant industry. This is natural for it has the greatest reserves for efficient management and increased business.

In addition to fewer opportunities for income in the food trade, there are other reasons why two-thirds of the offered businesses were not applied for:

--The possibilities for cost reduction are limited. In this area the fixed prices or the ratio of profit rates are the greatest.

--The new business forms call for greater physical and intellectual burdens.

--The potential entrepreneurs, the present managers of the businesses, will not always consent to this. In the food stores the ratio of female workers and mothers is high, and the additional work and hours would be at the cost of the family.

--A significant portion of the offered food businesses are single-person operations, and the prospects for an increased trade are not great enough to suggest the need of at least two persons. A one-person business is almost an impossibility, for the manager must attend to all the conditions of commodity acquisition, marketing and operation.

--Adequate training is lacking. There are many unskilled or semi-skilled workers in food stores. Successful entrepreneurship requires more fundamental trade knowledge than traditional management of a business.

--Most of the commercial workers still are not familiar with the essence of the new operational forms and rules. There are mistaken ideas, for example, about the capital needs for contractual businesses and for the pay of subordinates.

--Many commercial workers are restrained from entrepreneurship by the fear of risk. They are put off by the difficulties of acquisition, and have an unfavorable judgment of expected developments in trade and costs.

--It weighs heavily in the scales that the risks are higher in capital leasing and contractual businesses (it approaches that of the private entrepreneur), while risks are limited for income incentive businesses. The leader and the contractual business manager is liable not only to the extent of his invested capital but is also responsible with his full private property for possible losses. The enterprises and cooperatives require as a regular matter property security or guarantee.

Table 3. Number of Contract Terminations at Year's End Compared to All Operating Businesses

Üzletitípus (1)	1981	1982	1983
Élelmiszerboltok (2)	8,8	5,0	12,3
Iparcikkboltok (3)	—	9,1	5,4
Vendéglátó üzletek (4)	5,5	15,5	20,0
Együttesen: (5)	5,9	12,3	17,0

Key:

1. Business type
2. Food stores
3. Industrial consumer goods retailers
4. Restaurants
5. Total

The manager of an income incentive business assumes limited liability. His risk extends to the full income above the basic wage.

Three years of experience with contractual businesses verify that commercial entrepreneurship is in fact risky. The number of contract terminations nationwide exceeds 10 percent.

The data also show that the possibility of "bankruptcy" is greater in the restaurant industry than in the income incentive field. In some restaurant enterprises more than one-third of the contracts have been canceled in the past 3 years.

The causes for contract termination in 1983 were the following:

Payment difficulties	45 percent
Official measures	5 percent
Illness	19 percent
Change of residence, family and other reasons	31 percent
Total	100 percent

It can be justifiably assumed that some of the terminations for illness and family reasons were actually due to unsuccessful operation. Forty-three percent of the contract terminations were initiated by the economic organizations and 57 percent by the business managers.

In 60 percent of the contract termination cases the entrepreneurs were unable to account fully for property that had been taken over. In most of the cases the debt was below 100,000 forints, but debts of several hundred thousand forints are not rare.

The above-listed factors are more or less true everywhere. But the example of many enterprises shows that these problems can be avoided by careful preparatory work at the time of conversion, by winning the workers' favor, by instruction and training.

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CSO: 2500/459

FOOD BANK OFFICIALS DISCUSS CREDIT, OTHER FINANCIAL ACTIVITIES

Comments of Department Director

Warsaw GROMADA-ROLNIK POLSKI in Polish 24 Jun 84 p 10

[Interview with Bogdan Charkiewicz, director of the Department of Private Farming and Trade at the Headquarters of the Bank of Food Control (BGZ), by Wanda Cuber: "Difficult Credit and What It Means"]

[Text] [Question] In your opinion are farmers as afraid to borrow from the bank as they were before?

[Answer] The situation has changed. Farmers think differently now, manage differently and take into account the fact that credit is concrete help that makes it possible to make their workplace more efficiently productive. Moreover, examples that give evidence that borrowing helped the farm are most convincing. Receiving credit has therefore stopped being a shameful matter, but is rather evidence of the flexibility of the manager and his receptivity to new forms of production. Farmers borrow from banks without hesitation.

[Question] In past years there were complaints about the services available to farmers, but generally there were none with respect to the cooperative banks. Today from various parts of the country there are complaints about cooperative banks. Is this the effect of the economic reform?

[Answer] But do the complaints pertain to service given the farmers by the cooperative banks or do they concentrate on credit not being granted?

[Question] They concern credit.

[Answer] Then the situation is the result of the fact that for the last 2 years we have been applying the principle of "hard money" very effectively.

[Question] What does this mean?

[Answer] This means that if the bank can extend its lending activities only to the extent approved by a resolution of the Sejm. The limits are based on balancing goods and services against the funds of the people, and therefore against credit extended. It is understood that in this situation there will not be enough credit for everyone who applies for it. In the face of this,

the bank must apply a policy of selective credit, that is, it must select the most urgent goals from the point of view of the economic and social interests of the country and the locality.

[Question] How does this look in practice?

[Answer] It seems that a significant number of production and investment enterprises are supported by credit assistance so as to achieve concrete production results as soon as possible. We are able to cover almost all legitimate needs for current production expenditures. The situation with investment credit is different. Here the banks should direct their assistance to expenditures required for repair, modernization, reconstruction and adaptation of production equipment, for new storage construction on farms that grow their own fodder and have their own work force, for expenditures that make it possible to increase fodder supplies, for fodder production and storage, and then for purchasing land available in the vicinity, for helping young farmers and workers who are moving into agriculture, and for buying tractors, machinery, and agricultural equipment.

[Question] With respect to tractors as the basic element in technical progress at the village level, but progress that costs more and more, the regulations speak of granting credit for the purchase of a tractor with a repayment period of as much as 8 years, but some cooperative banks demand repayment in less than a year.

[Answer] In each case the amount of credit granted and the period of repayment must take into account the debtor's ability to pay. Since the financial situation of our clients varies, there are various conditions for repaying money borrowed. Sometimes it is enough to lend a farmer money for a year. Here we must not forget that if the credit is repaid sooner, then someone else will be able to use it. There is also the need to adapt credit potential to existing needs.

[Question] As far as I know, for the first time in the history of cooperative banks, a private farmer, Zigmunt Drzazdzynski, from Poznan Province, has become a member of the board of BGZ. It would seem, then, that soon the influence of farmers will be so great that it will be easier for them to get credit.

[Answer] At all levels of bank organization we have a broadly reorganized self-government that represents farmers and is made up primarily of farmers. We who work in the bank also feel responsible for the business of the farmers and we are deeply concerned about their problems. Comrade Drzazdzynski, being a representative of nonsocialized farming, best understands the needs and situation of our borrowers.

[Question] For many years cooperative banks have been criticized for preferring to extend credit for building up stock. In reality a certain improvement has been made here, but we can still not proceed beyond "the cows or the pigs." Even in Konin the readers complain that they have no money for building houses.

[Answer] Starting this year, money for building homes was put in a separate category, which means that granting credit for a cow barn or piggery does not "eat up" money intended for home construction. The amount available for this purpose is a different problem, however. This pool is modest in comparison with the applications made to the bank by farmers and other persons. During this period, the bank made detailed studies from which it concluded that despite the fact that we were able to increase the debt by 11.1 billion zlotys, which means that actual extension of credit for home construction (after taking repayments into account) was approximately 14 billion zlotys in 1984, the funds were still at least 5 billion zlotys short. This means that even here the banks must select the most urgent needs, and these are repairs and completion of construction already started. Before making any credit decision, the cooperative bank studies the living conditions of the client and how ready he is to build, and in this manner establishes the urgency of the needs and the order in which credit will be granted. I will say that it is possible that the credit potentials of the cooperative bank will grow if savings in bank accounts grow.

[Question] Since we are speaking of savings, how does the farmers' capital worth appear as evaluated by savings deposits?

[Answer] One cannot simply take the income from the farm and consider it as profit since an appreciable part of this income is spent to meet the needs of the farm, for investment and for production. The cooperative bank savings accounts are predominantly those with small deposits. So approximately 55 percent are relatively small amounts, that is up to 10,000 zlotys, and only fewer than 1 percent are deposits of more than a half million zlotys. The average amount of savings in the cooperative bank in the past year was 42.4 thousand zlotys.

[Question] To whom does the bank give credit and to whom does it refuse it, or does it treat 30-hectare and 1-hectare farms equally?

[Answer] We consider the needs of the one and the other and we treat everyone as a potential client, but amounts and types of credit are adapted to the production capacity of the farms. We cannot say, therefore, that we refuse to help the small farmer financially, but credit is granted in amounts consistent with his production and income realized. It would be difficult to grant credit for the construction of a 20-cow barn where there is no fodder supply.

[Question] How does debt repayment look for cooperative banks?

[Answer] It looks good. Real farmers are, as a rule, solid payers and make payments when due. There are individual difficulties, for example, when a unit breaks up or when there is an unfortunate turn of events.

[Question] There is a great lack of clarity and there are many complaints with respect to the authorities in the matter of amortization of investment credits granted before 1981. Can you explain this?

[Answer] The decision to amortize was undertaken, in keeping with regulations in force, with respect to credits granted when amortizations were due, obviously on condition that the borrower satisfy other requirements, specifically production requirements. Let us remember that since August 26 1981 amortized investment credits are not being granted.

[Question] What, in your opinion, can the farmers expect from the national congress of delegates of cooperative banks?

[Answer] That which their representatives decide and vote on at the congress, and these resolutions should meet the expectations of farmers and other members of our banks to the broadest extent possible.

[Question] Thank you.

Comments of Board Chairman

Warsaw DZIENNIK LUDOWY in Polish 26 Jun 84 p 4

[Interview with Janusz Cichosz, president of the board of the Bank of Food Control (BGZ), by Franciszek Nasinski: "Money and Life"]

[Text] Cooperative banks are the oldest and most vital organization in the village. They first appeared in Wielkopolska (Great Poland), the oldest being established in 1861. During the period of the partitions they played a very important role in reinforcing Polish property claims. They played a similar role in Malopolska (Galicia). There they were organized by Franciszek Stefczyk. Cooperative banks were also successful in Kongresowka (the part of Poland under Russian domination, formed by the Congress of Vienna in 1815).

At present there are 1631 cooperative banks in Poland. Their network covers the whole country, and they have 2.6 million members. Transactions are enormous in number, being in the millions, and specifically for the past year amounted to 12,267 billion zlotys. Farmers borrow money from these banks, deposit savings in them, and the banks serve to provide emergency financial aid.

In Warsaw on June 25 and 26, 286 delegates are participating in the third national congress of cooperative banks.

[Question] I am addressing the president of the board of BGZ, Janusz Cichosz. Mr President, which matters will be discussed at this congress?

[Answer] First of all the congress will evaluate the activity of cooperative banks and BGZ for the last 3 years and of the organs of self-government of these banks. The congress will elect a national board, the organ of control

and supervision of the bank; it will also adopt statutes of BGZ, the resolutions of which will be adapted to the resolutions recently adopted by the Sejm, "Banking Law," and "Cooperative Law." The congress will also provide guidelines for the direction of activity of our banking-cooperative organization for the near future.

[Question] You used the term "banking-cooperative organization." What is the basis for the symbiosis of the state bank and the cooperative banks, which at one time, even in postwar Poland, were separate, autonomous units with their own central cooperative union?

[Answer] Many years have passed since then. The Bank of Food Control is a state-cooperative bank. It was formed as a result of combining the Agricultural Bank with the Central Union of Savings and Loan Cooperatives. The statutory fund of this bank was created from shares of the state treasury and shares carried by the cooperatives banks. The finance-credit servicing of the agricultural and food industry and forestry and the lumber industry are within the scope of BGZ. At the same time BGZ fulfills the function of a central union of cooperative banks. It is, moreover, their organizational, financial and review headquarters.

[Question] Does this not represent a step backward and does it not limit the role and independence of these banks and their self-governments?

[Answer] Such fears, expressed many times, are unfounded. BGZ and the cooperative banks have been acting within this structure for almost 10 years, and experience has confirmed the correctness of the solutions put into practice. Convincing evidence of this is the fact that centrifugal tendencies did not appear even during a crisis such as our country has experienced in recent years. This was supported by full respect for independence and recognition of the cooperative forms of activity. They were respected with complete consistency. In practice, this meant that in all matters pertaining to activity of cooperative banks, decisions were made by organs of self-government, that is, boards and councils.

Cooperative banks together with BGZ carry out the monetary-credit policy of the state and together are responsible for its proper implementation. At the same time, BGZ helps these banks fulfill their statutory tasks and acts as a sponsor, giving them help in organization and instruction, represents their interests with respect to state authorities and organizes training for workers and administrators. BGZ does not have authority over cooperative banks; it cannot, and does not want to use the formula, "Headquarters recommends that...".

[Question] Do you expect that this flexible formula will be maintained in the future?

[Answer] I am convinced of this; I see no need for it to change. Excessive interference "from above" in the activity of local offices has always ended in failure. Sometimes, however, I see a yellow caution light indicating that

not everyone is inclined to remember this. Is it really that hard to learn from one's own history? Respect for this principle in the future is also favored by a highly committed and genuine self-government. Its dedication, efficiency and concern were a deciding factor in the fact that cooperative banks have been continuously and successfully active for more than 120 years.

[Question] As a basis for their activity there was always a historically formed principle of local self-help. Is this so now despite the fact that times have changed drastically?

[Answer] This principle has a lasting and universal character. For this reason our banks, as in the past, base their credit activity primarily on their own resources, and therefore on savings deposits of the farm population accumulated in bank accounts. We make use of local resources primarily. Savings deposits at the end of 1983 amounted to 220 billion zlotys while indebtedness amounted to 187 billion zlotys.

[Question] Finally, complaints were made that farmers benefit greatly from credits extended by the banks and then repay them with zlotys depreciated by inflation.

[Answer] From the figures I have given it seems that this is not so: it is not the farmers that are the "debtors" since savings deposits are greater than indebtedness.

[Question] Does this mean that you are tight-fisted?

[Answer] Our bank implements the monetary-credit policy set forth by the government and adopted by the Sejm. It is expressed in the credit plan applicable to the whole economy, including the villages and agriculture. The amount of credit extended depends on the money-market situation, supply of means of production for agriculture and the income situation of farmers. Certainly there is no sense in overissuing credit. For this reason our bank analyzes credit activity and the income situation in the villages and formulates current extension of credit on the basis of its conclusions. Actually the bank is making such an evaluation at present and, together with the minister of agriculture and food control, will present it to the government in July of this year. The results of this evaluation will be the basis for making the appropriate decisions.

[Question] What do the initial conclusions indicate?

[Answer] The greatest need is for credit for housing construction in the villages. In the past, credit for construction of new housing was granted after all other needs for farm construction and stock replenishment were met. Today we are confronted by the results of years of postponing this demand. Young people taking over farms from their parents and linking their life prospects to the village and farming frequently base their final decision on this question on whether they will be able to build a house for themselves and their families.

We are noticing an increasing lack of credit sources for purchase of machinery and agricultural implements. This is the consequence of the government's implementing the program of reorienting industry to the needs of the village and agriculture.

The demand is great for credit for purchasing land available locally. If we want to support the desired reconstruction of agriculture, money for this purpose must be found.

[Question] From what you have said, it seems that in the villages there is a group of easily identified farms which, for various reasons, are suffering a lack of financial means, and this weakens their productive capacity.

[Answer] It may be a bit strong to say that it "weakens" it; certainly it inhibits the possibility of exploiting all existing productive reserves on those farms. The interests of society require that these reserves be activated as quickly as possible.

The income situation of farms is most variable; certain farms do not take advantage of bank loans at all or apply for credit only in an emergency. But there is a significant number of farms that, lacking credit, will in a short time be unable to reach a production equilibrium. The self-government can give the best evaluation of these cases. People making decisions in these matters know the situation in specific villages and even on individual farms very well. The self-government very strictly evaluates the resourcefulness, industry and management of the potential borrower. He cannot expect preferential treatment.

It is not possible in such a short conversation to discuss all the complicated matters that pertain to the sphere of activity of BGZ and the cooperative banks. They will be widely discussed at the two-day congress. The delegates will also discuss the principles of extending credit to socialized farms, the agriculture-food industry, trade and the lumber industry. We expect that they will consider many basic matters which must be dealt with immediately. The conclusions will serve to improve the credit systems in force and the evaluations of the economic-financial situations of enterprises and farms served by BGZ as well as the income situation in the villages. Our banks will have to carry out their tasks under the conditions of the economic reform that has been introduced.

[Question] As far as the congress delegates can see, will there also be further improvement in serving clients so that they will not waste time standing at the cashier's window?

[Answer] Yes, this will probably be one of the most basic threads of the discussion. The farmer cannot be treated in his bank as a petitioner. We will be concerned, therefore, with improving service for all clients of the bank, both private individuals and socialized enterprises, so that our

offices will operate properly and efficiently; banks must, of course, formulate, popularize and disseminate the principle of reasonable operation. Moreover, we must apply these requirements to ourselves in the first place. After all cooperative banks always acted reasonably, effectively and efficiently, and from that they derived their vitality and strength. It will continue to be so. I am convinced that in this respect nothing will change.

[Question] Thank you.

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BRIEFS

CEAULESCU VISITS CONSTANTA FARMS--Bucharest, 19 Jul (AGERPRES)--On 19 July President Nicolae Ceausescu of Romania paid a working visit to agricultural units of the Constanta County, looking into the way the research institutes specializing in farm machinery and the manufacturing units work for construction of highly efficient machines. One week ago President Nicolae Ceausescu visited other state and cooperative farm units in the same county, looking into important problems posed by the stage currently traversed by the Romanian agriculture. On the occasion, President Nicolae Ceausescu was shown experimental machines for grain cereal sowing, harvesting and baling. While watching these machines in operation Nicolae Ceausescu recommended that further work be done to improve them and offer farmers modern and efficient tools to help greater crops with a smaller material spending. During this visit the Romanian head of state asked about the progress of wheat harvesting in that county and asked that efforts be done to conclude this operation soon and with no loss. [Text] [AU191910 Bucharest AGERPRES in English 1853 GMT 19 Jul 84]

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CEDO GRBIC ARGUES FOR MORE PRIVATE ENTERPRISE

Belgrade INTERVJU in Serbo-Croatian 22 Jun 84 pp 21-23, 41

[Interview with Cedo Grbic, member of the Constitutional Court of Croatia by Momcilo Dorgovic, place and date not specified]

[Text] Some puritanical Yugoslav dogmatists worry more about wealth than poor citizens do. They are not bothered by hundreds of thousands of deserted hectares, but they are bothered by who will cultivate them; they are bothered by joint investments, but they are not bothered by indebtedness. Where is the logic in that?

Farmers, tradesmen and innkeepers are under the vigilant eye of the public, which regards them to be the class enemy who, for the moment, is resting, because we do not give them an opportunity to move, but otherwise who knows what would happen, without tight controls. Adherents of ideological fireworks often warn that they are an ugly blot on socialism!

Cedo Grbic, member of the Constitutional Court of Croatia, has written a book which was published--and sold out--at the beginning of the year, under the title "Socialism and Private Capital Operations." The writer is, among other things, the recipient of the Order of National Hero, and a past president of the Constitutional Court of Croatia. For years he has studied the theory of building socialism, especially the constitutional system. Together with Edvard Kardelj and a small number of distinguished politicians and scholars, he worked on the major constitutional reform, and in addition to other responsibilities, he directed the task force in the Krajger Commission that was assigned to deal with the position and operations of the small business sector.

[Grbic] One would have to be an ignoramus to think that the private sector or small production operations could restore capitalism here in Yugoslavia. The private sector receives constant criticisms, each more severe than the preceding one. The most common are: the birth of billionaires (they insist on still counting in old dinars), unjustified enrichment (nothing is said about justified enrichment), theft of state property, agrobusiness and in general every type of entrepreneurial activity, doubts in the collaboration between the public and private sectors, middlemen, hoarders, black marketeers and speculators. They accuse the owners of tractors and combines of exploiting those they provide with services.

[Question] Are there as many instances of legal actions as there are of suspicion?

[Answer] No! First of all, we are one of the first socialist countries to legalize the private production sector, although the constitution and the LCY Program have quite a few restrictive provisions that do not guarantee the security of private enterprise. They grant complete freedom of personal property, while limitations are specified only in cases where personal property is used for income. That is in fact an example of the degree to which we stimulate consumption while remaining cautious about production and the creation of income on the basis of private property.

Suspensions receive wide attention and ideologize the public, which then makes possible broad and powerful administrative actions in this realm. A striking example of aggressive suspicion is found in several lines from a well-known Yugoslav journalist, who wrote in 1980: "Our private millionaires have now become much more powerful, they not only rob the society more and more aggressively but they are also politically delinquent when politics takes organized measures. Certainly it is not by chance that we hear in the public forum the opinion that the wealthy class constitutes both an economic and a political germ of counterrevolutionary forces that, in certain unfavorable circumstances, could turn into an attempt at the direct destruction of the sociopolitical system." This reminds me of the assertions in the letter the Central Committee of the Soviet Communist Bolshevik Party sent to us in 1948.

[Question] Part of the public is convinced that in recent years, because of speculative and calculating self-interest, "socially harmful elements" have developed in agrobusiness.

[Answer] Certainly they are convinced after the fierce campaigns and the ideological hunt. That was an ideological attack that could only be born in the brains of isolated technocrats, when we know that our country has hundreds of thousands of unused hectares, when we know that we have reached the point where we import more food than we export and when we know that the struggle for stabilization requires the cultivation of every foot of land. The main thrust of this campaign boils down to two demands: public land is not to be rented out to farmers, and especially not to other categories of citizens, and the social sector dare not cooperate with persons who are not engaged in agriculture. That means that the agro-industrial complex must be driven to cultivate every parcel of land, regardless of cultivation potential or efficiency, or else the land must stand unused. Thus it is better for a portion of the national wealth to be unused than to distort the imagined model of socialism. Along the way, the private farmers are accused of ruining the working class and the people, and of being more inclined to deception than to real work.

[Question] And yet crime exists. We are witnesses to great social differences, and we cannot accuse people of being too sensitive when they see that some people have everything, while others can barely make ends meet.

[Answer] But the private sector is not to blame for that, nor is the commercial skill of individuals or of the sector. It is interesting that crime is defined very quickly and very broadly here. When various declarations are read or heard, it turns out that nearly the entire nation has sunk into crime. Supplemental income is seen as deceiving the society because taxes are not paid on it, yet millions of workers are engaged in that supplementary work. Pressure is brought to bear on the police, the prosecutors and the courts to intervene. Suspicion that all the private tradesmen are cheating the public, that every tie between associated labor organizations and private enterprise represents bribery and corruption--none of these can reveal the cheater. It has gone so far that conscientious recognition of market principles is often treated like a crime. In my opinion, this is a holdover from the statist system.

[Question] So in your opinion enrichment and business cannot be treated as attempts to restore capitalism?

[Answer] I can become rich, I can arrive at an enormous income, but that by itself does not mean that I have become a capitalist, particularly to the degree that I invest in legal production. Here in Yugoslavia I cannot open a capitalist factory or a bank with that wealth. As long as production of goods and market operation exist, business and commerce must exist. Why would that be antisocialist? Everything cannot be boiled down exclusively to measuring the results of labor on the basis of muscular physical exertion. In a market economy, income depends on skill, commercial acumen, the capability to produce what is not available on the market. Bans lead nowhere, for the gaps remain in the market.

I think that real confusion reigns regarding what represents a capitalist element in our society, and what does not. First of all, we must totally eliminate the prejudice that personal labor using the resources of the population is a capitalist manner of production; there are many such situations here in Yugoslavia. Natural and small goods production is older than capitalism, for they have existed since the beginning of trade between people. Next, the functioning of market and other economic principles should not be equated with capitalist principles. According to the Yugoslav Constitution, several possibilities exist for the functioning of capitalist relationships in our system. Article 27 of the Yugoslav Constitution specifies conditions under which the resources of outside parties can be utilized for development of separate associated labor organizations; this is a matter of joint investments. Yet this is poorly carried out because of the fear of a restoration of capitalism. In regard to this, however, a contradiction often emerges. We have not wanted joint investments, but we have incurred much foreign debt (chiefly in the capitalist countries), which has led us to great dependency precisely on the capitalist countries. The high interest rates that we must pay are the chief form of capitalist exploitation of our workers, and I would say, the worst form of exploitation, where the lenders incur no risks. Joint investments with capitalist partners facilitate the functioning of capitalist principles, but under much more favorable conditions for us, since the foreign partner bears mutual risk and thus is interested in investing in the most modern technology.

[Question] If it is absurd that every form of private control over the means of production represents a constant source of danger for socialism, where does the great fear and desire to eliminate it, though not economically rational, come from?

[Answer] One must thank a certain ideology.

[Question] What ideology?

[Answer] The ideology of state socialism that we first rejected, then again introduced. It is a matter of a Dogma, which I write with a capital D because of its strong presence among us, and which has strongly influenced certain of our strategic decisions.

[Question] In your book, you write that that Dogma originated during the time of Lenin. Probably there are people who will criticize you quite strongly for that?

[Answer] Only if they intend harm, for in fact I am defending Lenin, not attacking him. Lenin did recommend that small producers of goods should be eliminated by "long, slow, cautious and organized work," for they ruin the proletariat and are a constant reservoir for capitalist restoration. But Lenin formulated that during the period of wartime communism, of civil war, when in the sea of petty ownership's elemental force there existed only a weak socialist production base and a thin ranks of the working class. The question of who would conquer whom was still open then. Later, however, during the NEP period, Lenin advocated a different course, which did not prevent Stalin from developing the thesis from the time of wartime communism that any sort of private ownership of the means of production was incompatible with socialism. He formulated a firm dogma which even today prevails in the practice of many socialist countries.

[Question] But how did that Dogma begin to function here, when after the end of the war, in contrast to the other socialist countries, we always had a different solution for the peasant question?

[Answer] We did make a fundamental decision regarding the agrarian policy of our revolution in 1945. In any case, the party did carry out the revolution together with the peasantry. It was a matter of a union of peasants and workers. Of 1.5 million hectares of land, half was left with the peasants, while the other half was retained as resources for developing the social sector. The agrarian maximum holding was as high as 45 hectares. In 1948, however, as you know, a clash occurred between our party and the Informbureau, that is, with the Central Committee of the Soviet Communist Bolshevik Party. In the Second Letter it stated: "The fact that they (Tito and Kardelj) deny the fact of the strengthening of capitalist elements, accompanied by the intensification of the class struggle in the village under present Yugoslav conditions, emerges from the opportunistic position that during the transitional period from capitalism to socialism the class struggle does not intensify--as Marxism-Leninism teaches--but rather is extinguished, as asserted

by opportunists of the Bukharin type, who pursued the decadent theory of the peaceful growth of capitalist elements into socialism."

At some places in that struggle we attacked, for example with self-management, while at other times we defended ourselves from the accusations, so that we showed that we were at least carrying on the struggle against "kulaks" and that we had a firm position. Thus we attempted to form peasant collectives on the model of Soviet collective farms. That lasted from 1949 to 1953. The attempt failed, and the party gave up such ambitions. Under the impact of Dogma, however, the maximum private holding was reduced to 10 hectares. At that time 10 hectares made some economic sense, for with a pair of horses one family had a year's work to cultivate that amount. But technology developed rapidly, mechanization and agricultural machines were perfected, and the possibilities for cultivating the land changed fundamentally. Yet ideology was firm, and lasts to the present day, so that those 10 hectares are still maintained without any logic, thus promoting fragmentation of agricultural production. In the discussion for the 1964 constitution, there were proposals for changing the 10-hectare limitation, and Kardelj supported this move. One republic and one province, however, opposed it, and everything remained as before. Only in hilly and mountainous terrain were larger agrarian maximums permitted.

[Question] Agricultural mechanization has also been regarded with "due caution." If the state uses it, then everything is all right, but in private hands, it is regarded as leading into capitalism?

[Answer] In our basic documents it is written that mechanization can only be used on large socially-owned lands. True, that was meant for large-scale mechanization, but at that time a tractor with 35 horsepower was regarded as major mechanization. During the 1965 economic reform, there was stormy discussion as to whether a farmer would or would not be allowed to own a tractor. Somehow the perception prevailed that owning a tractor did not represent a danger for socialism. In these examples it is interesting to note how subjective forces, burdened with predetermined ideological prejudices, have retarded progress and supported horses as the traction power instead of tractors. Had it not been for the mechanization of farm cultivation, with the massive departure of the labor force from the countryside we would have much more uncultivated land.

[Question] That means that ideology could have deprived us of food. Ardent prejudices could have attacked our appetites?

[Answer] Fine, today that seems funny. Today only dogmatic heads believe that the farmer needs to disappear quickly for, supposedly, that historico-economic category has been overcome, even though it has never posed any danger to them in any socioeconomic formation. Because of those prejudices, even today we do not have a concrete program for the work of individual farmers. We are not doing anything to see that they remain in that essential sphere of work, and that they not disappear. We stimulate them more to leave their land and head for the cities. Why shouldn't we stimulate larger agricultural producers, mini-agrobusiness? In practice, we have that kind of development, by the force of economic trends.

[Answer] A vacillating tax policy decimates the private workers. The prevailing practice that the tax base for private tradesmen is set on the basis of comparisons with the personal income of comparable workers in associated labor is unacceptable, because their socioeconomic positions are different. The position of the worker in associated labor is much more stable, and a pronounced solidarity is found in it. Such a policy simply compels the private workers to conceal income, to become "thieves."

Tax policy is carried out by opstinas, and it varies from one opstina to another. Frequently the policy is motivated by the needs of the opstina budget, and often sharp taxation is used to prevent competition with the social sector. Yet we can see that opstinas that have introduced realistic taxation policy have many more private tradesmen and thus collect much more in taxes than do those with sharp taxation policies.

[Question] Can you give us a concrete example of opstina arbitration in the private sector?

[Answer] About 10 years ago there were 32 innkeeping establishments in Gospic, of which 13 were in the social and 19 in the private sector. According to the evaluation of the opstina assembly, that number and structure was absolutely unacceptable. It was believed that for a population of 8,000, this number was too large, service was poor and the number of innkeeping establishments needed to be reduced. This is truly a unique example in the world where lessened supply was to give better service. Then they decided that in the center of Gospic, there should be only hotels and restaurants (a fish restaurant, along with popular, express and dietetic ones), while buffets, inns and taverns were to be excluded. In this Gospic was way ahead of Zagreb, and particularly Paris. Even more impressive is the decision that determined that innkeepers were to bring their operations into line by 30 September 1975, when the decision took effect on 6 January 1975. That meant that within that period, several innkeeping establishments had to be converted into hotels and restaurants. A very "objective" decision!

[Question] What, however, are the chances for success of small businesses and tradesmen in the face of modern technological developments?

[Answer] Modern development does not consist merely of the concentration of production into large production units, but also includes the dispersion and development of numerous small production organizations and support units, which provide growing amounts of new products and services and contribute to the employment of quite a few people. Modern technology makes it possible in some types of production for the worker to stay at home to work. In the FRG, trade plants employ some 500,000 apprentices in the economy and thereby educate highly qualified personnel for the overall economy. In Japan, 50 percent of all workers are employed in small businesses.

[Question] We know that many citizens invest their money in weekend cottages, paintings and jewelry, thus converting it into dead capital. It is believed that it would be socially more useful to invest that money in production. Is there not then a danger of developing stock investment relationships, and if

they were to develop, would they mean a breakthrough for the restoration of capitalism?

[Answer] Certain stock investment relationships should be returned to the system. If a worker in associated labor has the right to the fruits of his past labor, then we must transfer that right to people who have their own resources for work and money. According to the principles in effect, a person with money can only invest it in his own private shop or in associated labor, which will then provide him with a position. But those are very narrow channels for the enormous amount of capital that is being kept in socks and pillows. On the one hand, we have stimulated all forms of consumption and permitted the consumer mentality to enter by the front door, while on the other hand, we bemoan the fact that we do not have money for expanded production. In 1983, 44 percent of all capital was concentrated in the economy, while 40.5 percent of the total money supply was in the hands of citizens. In August of last year, Yugoslavs had 860 billion dinars at their disposal, of which 43 percent was in convertible foreign exchange.

I believe that the savings system and the position of the thrifty in expanding production is particularly imperfect. The main role in the problem is played by the independent banking mechanisms. They are independent of associated labor, and the thrifty have no influence on the work of the banks where they save. Thus the possibility always exists for creating anonymous capital in the banks. In our recent past, we had provisions for giving much more protection to the role of savers in the banking system, such as cooperative savings banks, which the prevailing banking system liquidated.

[Question] Finally, is there a danger from the entry of private owners into the League of Communists?

[Answer] Just before the war, our party had quite a few peasants and tradesmen, and they were not the poorest, but among the most well to do. I would assert that a successful tradesman or agricultural producer will always support this system because under it he can have status that he could never attain under a capitalist system. Isn't there a clear inequality in the symbolic participation of the farmer in the League of Communists? Their share of the LCY membership is but 3.9 percent, so that leaders and bureaucrats make up a much larger share, to say nothing of the mass of administrative personnel. According to the census 3 years ago, 28.8 percent of the population is engaged in agriculture, and fully 38.5 percent of the total active population is in agriculture. I won't even remind you of the enormous role of the peasantry in the party during the war and during postwar reconstruction and development.

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